Tunnel triumph

Late, over budget but a success

Page 14

Emilio Botín

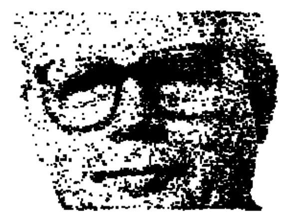
Spain's new top banker

Page 12

Business Angel

Blue blood in eastern Europe

Page 10



The Wallenbergs

The empire strikes back

Page 17

FINANCIAL TIMES

Europe's Business Newspaper — TUESDAY MAY 3 1994 — D8523A

Fininvest faces further scrutiny from magistrates

Investigations by Milan magistrates into the affairs of Silvio Berlusconi's Fininvest empire have resurfaced just as the media magnate begins the final stages of consultations to form a government. A civil liberties court approved a request for an arrest warrant to be issued against Marcello Dell'Utri, head of Fininvest's advertising arm Publitalia, and two other senior officials in the group on charges of falsifying accounts. Dell'Utri, a long-time associate of Berlusconi, was the principal figure behind the organisation of the businessman's Forza Italia political movement. His lawyers have challenged the court's decision. Page 16

Progress on Mideast peace: The comprehensive peace settlement eluding the Middle East appeared to edge forward as a result of peace proposals brokered between Syria and Israel. Page 16; Palestinians to have right to set up stock market, Page 5

IBM shakes up PC side: International Business Machines is to change the senior management of its $11bn personal computer business, with the retirement of Robert Corrigan, president of IBM PC. Page 17

Cambodian peace talks postponed: Peace talks between Khmer Rouge guerrillas and the Phnom Penh government have been postponed indefinitely amid some of the most serious fighting in Cambodia for five years. Page 5

Lazard Bros reveals inner reserves: UK bank Lazard Brothers has been forced to tell one of the last great City of London secrets – precisely how much capital it has in its hidden reserves and how much profit it makes. Page 17

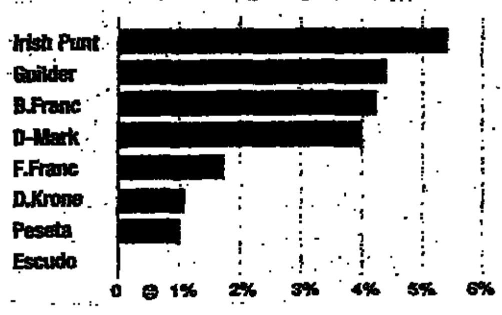
Indian inflation rises: Indian authorities face mounting pressure to curb inflation after the release of figures showing the annual rate of wholesale price increases at 10.6 per cent, compared with 6.9 per cent a year ago. Page 3

Worry over Asian securities markets: The World Bank has warned of the risk of financial accidents in Asian securities markets because the pace of investment and innovation in them may be too fast for their stage of development. Page 17; Emerging markets, Page 24

Miti angered at US trade report: Japan's Ministry of International Trade and Industry has responded angrily to a US report which criticised Japanese trade practices as ambiguous, lacking in objectivity and in many ways based on faulty or questionable analysis. Page 4

European Monetary System: There was no change last week in the order of currencies in the EMS grid. All countries made gains against the bottom currency, the Portuguese escudo, which finished on Friday at Es103 against the D-Mark from Es102.4 a week earlier. Currencies, Page 35

EMS: Grid April 29, 1994



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Guilty verdict in BCCI trial: Former property entrepreneur Nazmudin Virani was convicted in London of seven counts of fraud relating to his business dealings with the collapsed Bank of Credit and Commerce International. Page 8

Heinz to abandon television: H.J. Heinz, the food manufacturer that brought the British public such memorable advertising campaigns as Beanz Meanz Heinz, is planning to create a new slogan – Heinz Meanz Direct Marketing. Page 8

SPD risks votes with tax plan: Germany's opposition Social Democrats committed themselves to a controversial tax reform package, in spite of evidence that it could be a clear vote loser. Page 2

Formula One safety inquiry: An emergency meeting to consider Formula One safety following the deaths of grand prix drivers Ayrton Senna and Roland Ratzenberger has been called by the world governing body of motor sport, the Federational Internationale de l'Automobile. Page 16

■ STOCK MARKET INDICES		
Tokyo Nikkei	19,570.21	(-155.04)
New York: lunchtime		
Dow Jones Ind Ave	3681.99	(+0.30)
S&P Composite	450.60	(-0.31)
■ US RATES		
Federal Funds:	3⅝%	
3-mo Treas Bills: Yld	3.981%	
Long Bond	86⅜	
Yield	7.354%	
■ Gold		
New York Comex		
(Jun)	$377.4	(377.8)

■ STERLING	
New York lunchtime:	
$	1.51935
■ DOLLAR	
New York lunchtime:	
DM	1.648
FFr	5.64225
SFr	1.40085
Y	101.755
Tokyo close Y 101.80	
London markets closed	

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$16	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lev25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Peso50	Syria	S£50.00
France	FFr9.50	Kuwait	Fils.625	Poland	Zl32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	Turkey	L30000
						UAE	Dh12.00

ANC information director predicts party will fail to win two thirds majority

De Klerk concedes defeat to ANC

By Patti Waldmeir, Michael Holman, and Mark Suzman in Johannesburg

President F. W. de Klerk last night conceded defeat to Mr Nelson Mandela in South Africa's first all-race elections, bringing to an end decades of white rule.

"Mr Mandela has walked a long road and now stands at the top of the hill. A man of destiny knows that beyond this hill lies another and another. The journey is never complete. As he contemplates the next hill, I hold out my hand to Mr Mandela in friendship and in co-operation," he said.

Mr de Klerk pledged his support for an African National Congress-led government of national unity, which is expected to be formed in the next few days.

His voice choked with emotion, Mr de Klerk ended his nationally-televised declaration with the words "God bless South Africa, Nkosi Sikele", African nationalism's hymn of liberation, now adopted as one of South Africa's two national anthems.

Addressing cheering National Party supporters he declared: "After so many centuries, all South Africans are now free."

As results trickled in, with less than half the estimated vote counted, the ANC was last night heading for control of the new parliament. But Mr Pallo Jordan, ANC information director, predicted the party would fail to win the two-thirds majority needed to give it absolute power over the parliament and the writing of a new constitution.

Page 7

■ Mixed-race voters ensure Nats triumph in the Cape

■ Next chapter unclear after fairy-tale start

■ Mandela's cabinet choices will signpost way to future

Page 16

■ Lex

Mr de Klerk greeted the prospect of an ANC victory with magnanimity as he conceded that his party would be the junior partner in the government of national unity.

Results showed that the two men would almost certainly be working together as the leaders of the two largest parties in the government of national unity.

With 42.5 per cent of the estimated 23m votes counted, the ANC had a commanding lead with 62.5 per cent of the national vote, with the National Party running at 23.8 per cent, below the party's expectations.

No other party came close to this share of the vote: the Inkatha Freedom Party scored 6.2 per cent, the right-wing Freedom Front of Gen Constand Viljoen 2.9 per cent, the Liberal Democratic Party 1.9 per cent and the ultra-leftist Pan Africanist Congress 1.3 per cent.

However, it is impossible accurately to extrapolate the final vote from these figures, because total results are being released without identifying the neighbourhoods from which they come.

South African residential areas and party support are so sharply divided by race that a disproportionately high number of results from one racial area early in the count would distort projections.

The ANC's projections, which come from party agents and not from the official Independent Electoral Commission, make allowances for neighbourhoods and are probably more accurate. The ANC predicts a 58 per cent majority in the national assembly, although Mr Jordan said this could well rise to 60 per cent or even to 62 per cent as results from black areas flow in.

In the provincial elections, the ANC was the runaway leader in the Northern Transvaal, Eastern Transvaal, Northwest, Orange Free State and Eastern Cape. It is unclear whether it will win a majority in the Northern Cape, Natal and the Pretoria Witwatersrand and Vereeniging area.

However, in one of the few clear outcomes, the ANC conceded it had lost the Western Cape province – one of only two provinces where Africans are not in a majority – to the National Party.

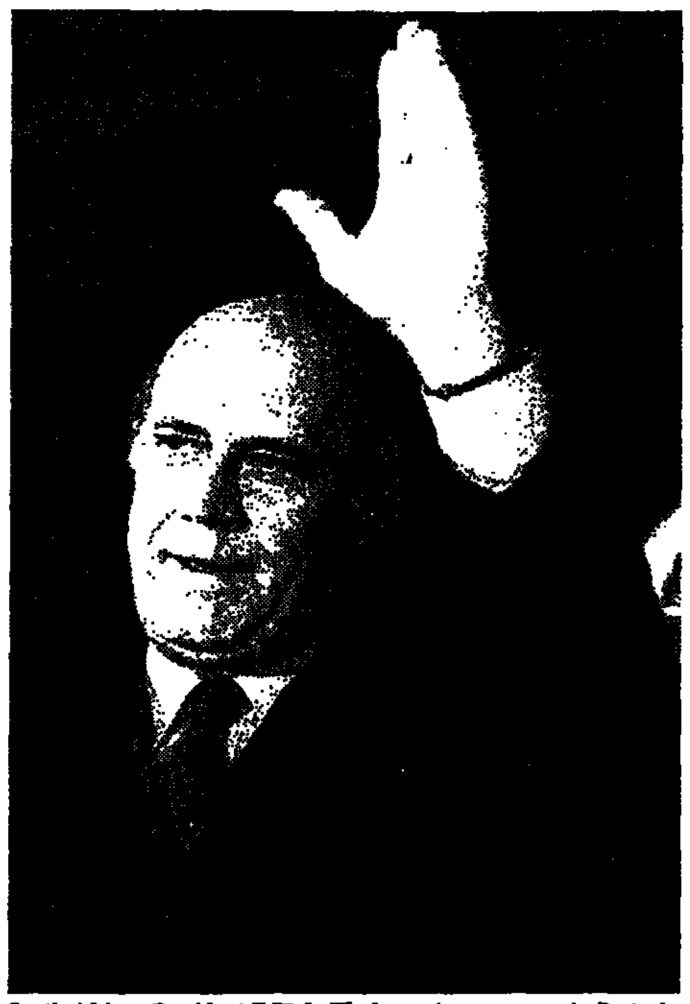
With nearly three quarters of votes counted, the National Party had 55 per cent of the vote, with the ANC at 29 per cent, the Democratic Party 7 per cent and the Freedom Front 2.4 per cent. This will allow the National Party to control the provincial government, with the ANC represented on the power-sharing provincial executive, as at national level.

Although the overall result is clear, many uncertainties remain, particularly in the disputed Natal province, where only a fraction of votes have been counted, apparently from areas where the Inkatha Freedom Party is strong. No accurate projections can be made from these early results. Reports from Natal suggest final results will not be available until later today.

SOUTH AFRICAN ELECTION RESULTS*
Electorate: 23m

	Votes	% of total
African National Congress (ANC)	5.24m	60.4%
National party (NP)	2.18m	25.2%
Inkatha Freedom party (IFP)	0.56m	6.5%
Freedom Front (FF)	0.26m	3.0%
Democratic party (DP)	0.18m	2.1%
Pan Africanist Congress (PAC)	0.11m	1.3%

** Provisional results for the National Assembly based on 8.62m votes counted out of the estimated 23m cast.*



South African President F W de Klerk greets supporters in Pretoria, where he conceded defeat to the African National Congress AP

González cancels trip as corruption row grows

By David White in Madrid

Mr Felipe González, Spain's prime minister, yesterday cancelled an official trip he was due to start today to Romania and Bulgaria because of the growing political storm over corruption and illicit gains in the country.

Mr Antoni Asuncion, the interior minister, submitted his resignation over the weekend, in a move which reflected acute embarrassment in the socialist government over the disappearance of Mr Luis Roldan, former head of the paramilitary Civil Guard, wanted for questioning by an examining magistrate.

Mr González, postponed accepting Mr Asuncion's resignation, telling him to step up the search for Mr Roldan.

The Madrid daily newspaper El Mundo is expected today to publish an interview with Mr Roldan at a secret location, in which he threatens to make damaging revelations. Before he disappeared, Mr Roldan said he would reveal information that would harm the Socialists. The affair, along with allegations of tax evasion by Mr Mariano Rubio, former Bank of Spain governor, increasingly risks jeopardising the minority government.

Mr Jordi Pujol, leader of the Catalan nationalist party on which the Socialists depend for a parliamentary majority, raised the possibility of a snap election. The conservative opposition Popular party has issued fresh calls for Mr González to resign.

Mr Asuncion, a former director of prisons, was appointed only five months ago. His predecessor, Mr José Luis Corcuera, resigned when a law including new search powers was ruled unconstitutional. The latter has also come under attack because of the Roldan affair.

Several hundred police and army personnel were engaged in the search for Mr Roldan, who faces arrest for alleged tax and other offences.

Roche in $5.3bn agreed bid for Syntex

By Ian Rodger in Zurich and Richard Waters in New York

Roche of Switzerland is making a $5.3bn agreed cash bid for Syntex, a struggling US drugs company, to create a group ranking fourth in the world pharmaceuticals sales league.

The deal would mark the first big takeover in the international pharmaceuticals industry since the merger wave of the late 1980s that created Bristol-Myers Squibb and SmithKline Beecham.

The agreed bid, at $24 a share, is cash-rich Roche's third big acquisition in the past four years. As well as catapulting the Basle-based group from tenth position in world sales, it would also lift it from fifteenth to sixth in the crucial US market.

The offer represents a premium of 59 per cent over Syntex's closing price on Friday of $15¼. It values the company at about 14 times its forecast earnings of $386m in the year to July 1994, broadly commensurate with other US drug companies.

The move by Roche, the world's most highly valued pharmaceuticals group in terms of market capitalisation, reflects growing pressures on drug companies to introduce greater economies of scale and wider product ranges. That is to offset rising product development costs and the squeeze by governments on drug prices.

Syntex's market value had plunged by more than $8bn since the beginning of 1992 as it faced the expiry of patents on its market leading anti-inflammatory drug Naprosyn and the lack of new blockbuster products to replace it in the near term.

Last year, Syntex had net income of $287m after $320m in pre-tax restructuring charges and in the three months to January 31, it reported a 20 per cent decline in net earnings, to $95.8m.

Falling sales have put pressure on cashflow at the US company, which has struggled to maintain a high dividend while supporting a research and development budget that last year ran at 19 per cent of sales – high by industry standards. As a Panama-registered company, it has benefited in the past from a low tax rate.

Mr Paul Freiman, Syntex chairman, said: "Given the speed of changes in the industry and a radically different competitive situation, we ultimately felt the need to align with a strong global partner."

At their peak, annual sales of Naprosyn reached $1bn.

Mr Fritz Gerber, chairman of Roche, said Syntex's substantial ethical business and its leadership in drugs for treating pain and inflammation "would ideally complement the portfolio of Roche and add a further centre of excellence to the Roche group".

Both groups emphasised that Syntex would benefit from Roche's strong presence in markets outside the US.

Roche, which rose to world prominence in the late 1960s with its Valium and Librium tranquillisers, is still strong in central nervous system drugs as well as in anti-infectives and drugs for cancer treatment, dermatology and Aids.

Against the global trend of declining profit growth in the industry, Roche last year boosted its net income 29 per cent to SFr2.48bn ($1.72bn) on sales of SFr14.3bn, of which SFr7.8bn came from drugs.

Markets expect new dollar support in US and Tokyo

By Our Foreign and Economics Staff

Financial markets were braced last night for further intervention by the US Federal Reserve and the Bank of Japan to support the dollar as the US currency drifted weakly against the yen and the D-Mark.

The Bank of Japan was reported to have bought dollars for yen to boost the US currency, after Mr Tsutomu Hata, Japan's new prime minister, sought to calm markets by warning that the yen's recent rise against the dollar was "undesirable."

Finance ministry officials in Tokyo said the Bank of Japan was ready to intervene in world currency markets throughout this week to support the dollar.

The BOJ's move, after an emergency cabinet meeting in Tokyo over the weekend, followed the Fed's intervention on Friday to buy dollars for yen and D-Marks.

The dollar yesterday came under pressure against the German currency, as dealers appeared to be testing US resolve to stem the dollar's decline.

There were no signs of Fed intervention yesterday, and trading was muted, mainly because of the May Day holiday in London and the start of a holiday week in Tokyo. In Japan, markets will close from today until Friday.

However, the perception in markets was that the Fed's operations at the end of last week may have to be repeated to arrest the dollar's decline. The dollar has been weak recently against both the yen and the D-Mark because markets believe a lower dollar fits in with the US administration's plans to curb Japan's large trade surplus with North America.

The Japanese government is concerned that a further rise in the yen could choke Japan's fragile hopes of economic recovery.

After closing at Y101.2 to the dollar on Friday night in Tokyo, the yen was quoted at the finish of trading in Japan yesterday at Y101.8. The Japanese currency

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CONTENTS

MEPs fail in their attempt to block enlargement vote

By David Gardner in Strasbourg

The European Union took a further step yesterday towards expanding its membership from 12 to 16 member states, when a series of filibusters to frustrate tomorrow's mandatory ratification vote in the European parliament was defeated.

Both the plenary of the Strasbourg assembly and its foreign affairs committee beat back attempts to get the biggest ever increase in the Euro-club postponed.

The parliament's struggle to win more power from the member states and the European Commission has held EU enlargement hostage for the past two months. Two weeks ago, leaders of the dominant Socialist and Christian Democrat blocs in Strasbourg agreed to put through the accession treaty, in exchange for pledges that parliament would be closely associated with the 1996 review of the Maastricht treaty and power-sharing in the EU.

But party managers in Strasbourg are still nervous about whether enough Euro-MPs will turn up to ratify the enlargement, intended to bring Sweden, Austria, Finland and Norway into the Union next January. Failure by the parliament to ratify could easily sabotage the four applicant countries' difficult referendums on membership this autumn, and very possibly complicate ratification by national parliaments in the 12 existing member states.

A first attempt yesterday by the far-right to get enlargement taken off this week's agenda was easily defeated by 287 votes to eight, with four abstentions.

The unsurprising size of this quashing of the Euro-fascists is less relevant than the size of Euro-MPs' presence in Strasbourg, given that a third of MEPs rarely turn up at all, that next month's European elections are set to eject up to two-thirds of present members, and that many of those hoping to survive are on the campaign trail.

In tomorrow's vote, 260 of the 518 MEPs must approve enlargement. The Socialists, the largest bloc, reckon they can guarantee 130-140 votes, but there are worries about the Christian Democrats' pledge of 100 votes, while the small groups are less disciplined.

The two big blocs both sent their leaderships to lobby yesterday's foreign affairs committee, and to stall the infinite variety of procedural snags possible under European parliament rules.

Even Mr Jean Louis Bourlanges, the French Christian Democrat who has led the campaign to hold up enlargement, dismissed yesterday's skirmishes as "procedural trickery", arguing for a straightforward battle on Wednesday.

Then, there are likely to be two votes. A first motion, arguing to postpone enlargement, is likely to fail. In the second motion, approving the EU expansion, a number of Socialists unhappy that enlargement is not going hand in hand with more democracy and federalism, and who will have voted in favour of the first motion, are then expected to come down in favour of the substance of enlarging the Union.

A delay in expanding the European Union to 16 members would hurt European business and could create another crisis of confidence in the EU, the industry group Unice warned yesterday, Reuter reports from Brussels. Referring to today's vote in the European parliament, the Union of Industrial and Employers' Confederations of Europe said the EU would benefit economically by admitting Austria, Finland, Norway and Sweden.

"A successful conclusion to enlargement will boost confidence in the European Union and strengthen the policies to achieve renewed competitiveness, sustained growth and increased job generation," it said in a statement.

The parliament's assent is necessary for the four countries to join the EU as planned on January 1. Officials have predicted a "yes" vote, but many MPs have been irked by an arrangement on voting procedures for a bigger Union – made to win over Britain to the expansion plans – which they say would undermine the powers of the parliament, the EU's only directly elected body.

Unice said it shared the parliament's wish for efficient, transparent and democratic institutions. "But the applicant states, with their strong traditions of openness and democracy, will only add strength, not weakness, to the pursuit of such reform," it said.

SPD risks votes with tax plan

By Quentin Peel in Bonn

Germany's opposition Social Democrats yesterday committed themselves to a controversial tax reform package as the cornerstone of their election platform, in spite of evidence that it could be a clear vote loser.

Mr Rudolf Scharping, SPD leader and candidate for the post of federal chancellor, faced down sharp criticism of his leadership style to force the party programme through his national executive committee with only one abstention.

The package includes a large tax reform to make energy more expensive, but stops short of calling for a national motorway speed limit, apparently for fear of losing votes from the car-crazy nation. Instead, the SPD will campaign for a Europe-wide speed limit, although Germany is the only EU member state without one.

Mr Scharping said the programme still included a plan to switch the government's 7.5 per cent "solidarity surcharge" on income tax, needed to pay for the soaring costs of German unification, to a 10 per cent surcharge payable only by higher earners.

When it was unveiled in March, it caused an immediate outcry amongst the broad mass of middle-income earners, and a slump in SPD popularity in the opinion polls.

According to Mr Friedrich Bohl, Chancellor Helmut Kohl's closest ministerial aide, the surcharge will last for at least five years, and possible longer, in order to pay the annual cost of transfers to east Germany running at between DM140bn (£56bn) and DM150bn (£60bn).

However the SPD plan, although on the face of it a considerable relief to the majority of taxpayers, is in danger of targeting precisely those more prosperous floating voters it needs to win next October's election.

The programme also includes an "ecological tax reform" which would switch the burden of taxation from labour-related costs to energy and raw materials, intended simultaneously to promote employment and discourage energy consumption.

The SPD leader said that there would be no increase in the overall tax burden from the level to be reached next year, describing it as "a programme based on solid finances.... and social justice".

There would be a "step-by-step reduction" in taxes and deductions hitting payroll costs, alongside a step-by-step introduction of the new energy taxes.

The third main economic plank of the party programme is a commitment to promotion of more research and investment in new technologies, including a programme of public investment in development of solar energy.

PLO chairman Yassir Arafat, on a brief visit to Germany, was given a tour of the Daimler-Benz headquarters in Stuttgart yesterday by the company chairman Edzard Reuter - See, Observer

Picture, Associated Press

Dutch poll set to break the political mould

By Ronald van de Krol in Amsterdam

Voters in the Netherlands go to the polls today in national elections which could well force the governing Christian Democrats (CDA) into opposition for the first time since 1918.

The party appears to have made slight gains in the past few days, according to an opinion poll yesterday, but is still behind its Labour party partners. A Nipo poll for Dutch television gave the Christian Democrats 32 seats in the 150-seat Lower House and Labour 35.

Last week, opinion polls were giving the CDA 29 seats and Labour 35. At the last elections in 1989 the Christian Democrats won 54 seats and Labour 49.

The Labour party, led by Mr Wim Kok, the current finance minister, is likely to emerge as the largest party overall. This would put Mr Kok in the running to become prime minister once the tortuous negotiations on the next government coalition are completed.

Much will depend whether Mr Elco Brinkman, hand-picked successor of Mr Ruud Lubbers, the CDA leader who is stepping down, can rally the party rank-and-file in the last few hours of the campaign.

Mr Ger Schild, director of the Nipo polling organisation, said yesterday that a larger number of people than ever before would be going into the voting booth without knowing exactly how they will vote.

"A far larger proportion of people who voted CDA the last time around are as yet undecided about whom to give their vote than are people who supported other parties last time," he said.

The crumbling of support for the current coalition will benefit the right-wing Liberals, forecast to pick up seven more seats for a total of 29, and the left-of-centre D66, up 15 seats at 27.

If these predictions hold true, Labour, the Liberals and D66 could rule without the help of the CDA. The CDA and its forerunner parties have belonged to every government coalition since full universal suffrage was introduced in 1918.

Mr Brinkman was scheduled to go to a final election rally last night in Lisse, the centre of the country's flower bulb-growing region and a traditional Christian Democrat stronghold.

Mr Kok was to appear at a meeting with voters at the nearby university town of Leiden.

Both men, plus the leaders of the other main parties, were due to appear in a final debate last night on Dutch television.

Although results of the election should be available by late tonight, it could be weeks or even months before the parties cobble together a new coalition.

Gaullist split widens over unemployment

By David Buchan in Paris

France's persistent unemployment is driving an ever-deeper wedge between the ranks of the country's governing Gaullists. Mr Jacques Chirac, the party leader, yesterday endorsed the idea of a referendum on the issue to underline his difference with the gradualist jobs policy of his fellow-Gaullist prime minister, Mr Edouard Balladur.

The unity of the Socialist left is, however, being equally threatened by the creation of a strong rival list in next month's European parliament elections by Mr Bernard Tapie, amid evidence that the populist Marseilles politician is being egged on by President François Mitterrand.

Despite facing multiple investigations for alleged financial irregularities and football bribery, Mr Tapie has now attracted heavyweight candidates to his Mouvement des Radicaux de Gauche (MRG) list. They include Mrs Catherine Lalumière, former secretary general of the Council of Europe and an associate of Mr Mitterrand.

"With such a team, one would need to be an incredibly bad captain not to go far in this European [parliament] championship," said Mr Tapie. He has just been disqualified for life from involvement in football after the French soccer authorities decided – ahead of an investigating judge – that Mr Tapie's Olympique-Marseille had rigged a game last year.

Mr Tapie claimed over the weekend that his only goal was to outscore the far-right National Front in the Europoll; both are around 9-10 per cent in the opinion polls. But if competition from Mr Tapie also ensures a poor showing for Mr Michel Rocard, the Socialist party leader may see his candidacy in next year's presidential elections fatally undermined.

The jobs referendum idea came at a weekend RPR Gaullist rally ironically from Mr Philippe Séguin, whose presidency of the national assembly ought to incline him towards representative democracy rather than rule-by-plebiscite. But Mr Séguin has emerged as the sharpest thorn in the side of Mr Balladur, whose government the assembly leader dismissed as merely "one of transition" until the right wins the Elysée next May.

Mr Séguin gave no idea of how the unemployment issue might be made susceptible to a yes/no referendum verdict, but his call for "a complete reversal" of jobs policy won endorsement from Mr Chirac, who spoke to RPR faithful chanting "Chirac president". Mr Balladur had earlier tried to persuade the party rally there was no contradiction between his economic and labour policies, and that the best hope for reducing France's dole queues was the gradual economic recovery now under way.

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

UNITED STATES

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	102.1
1986	105.5	100.9	6.9	98.0	106.9
1987	108.4	106.0	6.1	105.5	108.4
1988	112.6	110.7	5.4	106.1	112.5
1989	115.6	112.4	5.2	99.3	110.9
1990	116.5	112.4	5.4	84.6	108.8
1991	114.2	110.3	6.6	62.2	112.2
1992	117.8	112.9	7.3	60.3	116.9
1993	124.0	117.6	6.7	65.4	122.8
1st qtr.1993	3.7	4.4	6.9	62.4	117.6
2nd qtr.1993	5.3	3.6	6.9	63.7	117.2
3rd qtr.1993	5.9	4.2	6.7	66.0	119.5
4th qtr.1993	6.3	4.3	6.4	69.4	122.8
April 1993	4.7	3.9	6.9	62.8	117.0
May	5.2	3.0	6.9	65.1	117.2
June	6.0	4.0	6.8	63.1	117.2
July	6.1	3.8	6.7	65.6	117.9
August	6.0	4.3	6.7	66.7	118.5
September	5.6	4.4	6.6	65.5	119.5
October	5.8	4.1	6.6	68.5	120.5
November	6.4	4.2	6.4	68.9	122.0
December	6.7	4.6	6.3	70.7	122.8
January 1994	6.1	4.8	6.6	66.7	122.7
February		4.8	6.4	72.9	
March		5.1	6.5	74.3	

JAPAN

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	2.6	100.0	97.3
1986	106.5	99.7	2.8	94.3	106.1
1987	113.8	103.1	2.8	108.3	115.2
1988	122.6	113.1	2.5	135.9	122.2
1989	132.5	119.7	2.2	147.0	125.2
1990	141.6	125.5	2.1	149.8	122.8
1991	144.6	126.8	2.1	144.2	120.6
1992	139.9	119.0	2.1	124.2	119.7
1993	132.0	113.6	2.5	106.9	122.8
1st qtr.1993	–5.9	–5.1	2.3	115.5	123.1
2nd qtr.1993	–6.0	–4.3	2.4	108.2	124.5
3rd qtr.1993	–5.1	–3.8	2.5	101.3	125.9
4th qtr.1993	–5.7	–4.8	2.7	101.0	126.2
April 1993	–5.3	–4.1	2.3	109.1	124.4
May	–4.8	–4.2	2.5	106.8	124.6
June	–8.0	–4.6	2.5	105.3	124.5
July	–5.8	–4.5	2.5	102.8	124.8
August	–4.1	–2.6	2.5	102.6	125.2
September	–5.5	–4.4	2.6	100.6	125.9
October	–5.2	–6.6	2.7	99.0	126.1
November	–7.3	–3.2	2.7	112.3	125.6
December	–4.6	–4.5	2.8	99.9	126.2
January 1994		–3.0	2.7	97.4	127.9
February		–4.5	2.9		
March		–3.2			

GERMANY

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	105.1
1986	103.4	102.2	6.4	136.4	105.0
1987	107.4	102.6	6.2	149.4	106.1
1988	110.5	106.3	6.2	164.8	112.2
1989	114.1	111.4	5.6	218.7	115.1
1990	123.5	117.2	4.8	261.1	115.7
1991	130.5	120.8	4.2	270.7	113.0
1992	127.7	110.8	4.6	260.2	106.6
1993	122.4		5.8	198.6	111.8
1st qtr.1993	–4.7	–9.8	5.3	213.4	108.8
2nd qtr.1993	–3.8	–8.3	5.6	208.5	109.0
3rd qtr.1993	–2.1	–6.4	5.9	193.6	111.8
4th qtr.1993	–5.8	–3.1	6.3	175.5	113.6
April 1993	–2.2	–9.2	5.5	211.8	107.3
May	–5.8	–8.3	5.6	207.6	107.9
June	–3.5	–7.5	5.7	205.2	109.0
July	–3.7	–8.0	5.8	202.7	109.9
August	–0.7	–5.6	5.9	194.5	111.2
September	–1.9	–5.7	6.1	183.7	111.8
October	–3.8	–4.3	6.2	174.7	112.6
November	–5.0	–4.0	6.3	174.7	113.0
December	–8.5	–1.0	1.3	175.5	113.6
January 1994	0.1	–1.7	6.4	178.0	114.2
February	0.2	0.9	6.5	187.9	
March					

FRANCE

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	10.3	100.0	102.0
1986	102.4	101.1	10.4	107.2	109.2
1987	104.5	103.1	10.5	117.7	106.6
1988	107.9	107.3	10.0	134.9	113.7
1989	109.5	111.3	9.4	161.1	113.5
1990	110.3	112.9	8.9	163.0	106.3
1991	110.3	113.2	9.4	127.7	109.6
1992	110.5	113.2	10.4	111.4	107.9
1993	110.7	109.9	11.7	89.8	110.8
1st qtr 1993	0.2	–3.3	11.0	96.6	106.2
2nd qtr 1993	0.7	–3.8	11.5	91.6	107.5
3rd qtr 1993	0.4	–2.9	11.9	85.0	108.4
4th qtr 1993	–0.5	–1.6	12.2	85.4	110.8
April 1993	0.9	–4.9	11.4	95.0	106.9
May	–3.8	–3.3	11.5	89.1	107.9
June	5.0	–3.4	11.6	91.0	107.5
July	1.2	–2.6	11.7	93.9	107.1
August	–1.2	–3.0	11.9	80.4	107.5
September	2.1	–3.0	12.0	80.8	108.4
October	–2.7	–4.5	12.1	83.7	109.2
November	2.0	–0.1	12.2	85.2	110.2
December	–0.6	0.0	12.2	87.3	110.8
January 1994	0.5	–0.2	12.2		110.9
February	1.9		12.2		
March					

ITALY

	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator
1985	100.0	100.0	9.6	103.8
1986	106.8	104.1	10.4	110.7
1987	112.1	108.9	10.9	112.8
1988	107.9	114.2	10.9	117.7
1989	116.9	118.7	10.9	115.8
1990	114.4	118.0	10.3	111.8
1991	111.0	115.5	9.8	114.7
1992	116.9	113.6	9.8	111.1
1993		110.8	10.2	121.3
1st qtr 1993	1.9	–4.3	9.1	113.3
2nd qtr 1993	–2.7	–4.0	10.7	114.6
3rd qtr 1993	–1.4	–1.2	10.3	118.4
4th qtr 1993		–0.1	10.7	121.3
April 1993	1.5	–3.6	n.a.	113.5
May	–9.0	–4.6	n.a.	114.0
June	–0.4	–3.9	n.a.	114.6
July	–6.4	–3.3	n.a.	115.6
August	1.2	0.4	n.a.	116.9
September	1.1	–0.7	n.a.	118.4
October	–5.6	–1.7	n.a.	119.4
November		–0.9	n.a.	120.3
December		2.3	n.a.	121.3
January 1994		–0.6	n.a.	121.6
February			n.a.	
March			n.a.	

UNITED KINGDOM

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	11.2	100.0	102.4
1986	105.2	102.4	11.2	116.1	105.9
1987	110.7	106.5	10.3	141.2	110.5
1988	117.8	111.6	8.6	144.9	108.7
1989	120.1	114.0	7.2	124.7	106.4
1990	121.1	113.7	6.8	98.1	104.2
1991	119.6	109.2	8.8	68.9	108.2
1992	120.5	108.7	10.0	70.1	113.5
1993	124.6	111.5	10.3	77.2	122.0
1st qtr 1993	3.1	1.8	10.5	73.7	116.5
2nd qtr 1993	3.0	2.7	10.3	74.8	116.91
3rd qtr 1993	3.8	2.6	10.4	77.4	120.3
4th qtr 1993	3.7	3.1	10.0	84.0	122.0
April 1993	2.7	1.0	10.3	75.0	116.6
May	2.4	4.4	10.3	75.2	116.7
June	3.9	2.7	10.3	74.3	116.9
July	4.4	3.5	10.4	77.1	117.8
August	3.6	2.5	10.4	77.8	119.1
September	3.4	2.0	10.3	77.2	120.3
October	3.2	2.0	10.2	81.7	120.7
November	3.8	3.6	10.0	84.6	121.0
December	4.2	3.7	9.9	84.8	122.0
January 1994	3.8	3.8	9.9	84.9	122.6
February	2.8	3.5	9.8	85.0	
March	3.8			84.0	

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. Retail sales volume: data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). Industrial production: data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). Unemployment rate: OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. Vacancy rate indicator: relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help-wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available, UK – unfilled vacancies. Composite leading indicator: OECD data. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.

NEWS: INTERNATIONAL

WORLD NEWS DIGEST

Bouygues wins Hungary deal

A consortium led by Bouygues, the French construction group, has won eastern Europe's largest toll motorway concession. The Hungarian government, which has been advised by Morgan Grenfell, the UK merchant bank, yesterday awarded Bouygues the $350m project to finance, upgrade, extend and operate Hungary's M5 motorway. The Hungarian Motorway International Consortium, which teams Bouygues and German bank Commerzbank, defeated a group led by Transroute International and GTM International, two French toll-road operators. Bau Holding, the Austrian construction company and another partner in the winning consortium, said earlier that the consortium would have to raise Ft7bn (£45.7m) in equity capital of which Bau would provide about 40 per cent.

The M5 concession is the largest project yet in Hungary's $3bn programme to bring in private investors and developers, extend four motorways from the capital to the country's borders and build two bridges across the Danube. The M5 leads toward Serbia and uncertainty over traffic projections has complicated financing and delayed its extension to the frontier. *Nicholas Denton, Budapest*

Pepsi to expand in Poland

Pepsi-Cola moved yesterday to win back ground in Poland recently lost to Coca-Cola by signing a joint venture with Whitman, Pepsi's Chicago-based bottler in the US. Under the agreement PepsiCo will bring Whitman into its bottling plant in Pniewy near Warsaw to build a distribution and marketing network in the west and the north of the country. This is the first time that PepsiCo will have brought one of its bottlers into central and eastern Europe, and Whitman, which will be investing $100m (£68.4m) in the joint venture over the next eight years, plans to build a further three plants in Poland.

In Poland Coca-Cola has brought in Ringnes, its Norwegian bottler, as well as Brau from Austria, and built distribution operations from scratch starting two years ago. Next week the company will be opening three new bottling plants in Krakow, Lodz and near Wroclaw built at a total cost of $120m. *Christopher Bobinski, Warsaw*

Rwanda envoy due in Uganda

Mr Jacques-Roger Booh-Booh, United Nations special envoy to Rwanda, was yesterday scheduled to meet President Yoweri Museveni of Uganda as part of international efforts to persuade Rwanda's warring parties to end nearly a month of civil strife. Tanzania's President Ali Hassan Mwinyi yesterday said the government and rebel Rwanda Patriotic Front (RPF) had agreed to peace talks in the northern town of Arusha tomorrow. Refugees from the Rwanda fighting have been flooding across the border into Tanzania in their thousands (see picture above). The Tutsi-dominated RPF contends the Hutu interim government was established illegally days after the death of Hutu president Juvenal Habyarimana in a rocket attack on his aircraft on April 6. *Reuter, Nairobi*

French radiotelephone bidding

The licence to operate France's first truly urban radiotelephone network will be awarded by the end of this summer to one of three French bidders, Alcatel, Bouygues and Lyonnaise des Eaux, the French telecommunications ministry announced yesterday. In addition to local partners, Alcatel has teamed up with Stet of Italy and Telefonica of Spain, Bouygues with Veba of Germany and US West, and Lyonnaise with Thyssen of Germany, Belgacom of Belgium and Bell South of the US, to bid for France's third radiotelephone network. France Telecome and Générale des Eaux already operate two Global System for Mobile Telephones networks in France. But they generally require users to be outdoors or near a window. The ministry said yesterday the third network was designed more for urban office use, requiring an investment of FFr10bn-FFr15bn. France has around 150,000 radiotelephone users, but hopes to have 3m by the end of the century. *David Buchan, Paris*

EU uses more unleaded petrol

Use of unleaded petrol in the European Union has accelerated past leaded fuel for the first time, the EU's statistics office, Eurostat, said yesterday. Unleaded petrol accounted for 53.3 per cent of all petrol used in the Union last year, up from 47.1 per cent in 1992 and 40.7 per cent in 1991. Eight years ago, unleaded petrol accounted for less than 1 per cent of the total, Eurostat said.

The "greenest" country in the Twelve – at least as far as petrol is concerned – is Germany. It accounted for 48 per cent of EU use of unleaded fuel which took 88.7 per cent of its domestic market. However, in domestic terms, the second greenest country was Denmark where unleaded petrol took 75.6 per cent of the domestic market, followed by the Netherlands where it accounted for 75.1 per cent. *Reuter, Brussels*

ECONOMIC DIGEST

GDP soars in South Korea

South Korean gross domestic product is forecast to grow by at least 8.5 per cent in the first quarter of 1994 compared to 3.9 per cent a year earlier, according to Mr Kim Myung-ho, governor of the central bank. GNP grew by 5.6 per cent during the whole of 1993. The country's industrial output shot up 10.2 per cent in the first quarter from 1 per cent in the same period last year, the national statistical office reported. The state-funded Korea Development Institute recently revised its projection for gross national product to a real 7.6 per cent growth in 1994 from an earlier forecast of 7 per cent. "With exports steadily increasing and the recovery in fixed capital investment accelerating, GNP is expected to grow more quickly than earlier forecast," it said. An even more optimistic view comes from Schroders Securities which revised its GNP projection for the year to 8.2 per cent from an earlier 6.5 per cent.

■ Japan's domestic vehicle sales are on a recovery path despite the year-on-year slippage in April for the 13th month in a row, industry officiala said yesterday. April's 6.6 per cent fall to 372,755 vehicles should not be seen as a sharp drop, said an official of the Japan Automobile Dealers' Association. One reason for the April fall, ironically, was a tax cut. Customers bought cars in March as dealers offered discounts to offset the effect of an April cut in the consumption tax.

■ Portugal's overall trade deficit fell 11.3 per cent last year to Esc1,430.8bn (£5.55bn), with imports falling 4.6 per cent to 3,900.6 billion, according to official figures.

■ Employment fell in large Italian companies by 0.4 per cent in January compared with December and was 5.1 per cent lower year-on-year, the Istat statistics bureau reported. The statistic covers companies with more than 500 employees but excludes the construction sector.

■ Swedish new car registrations rose by 44 per cent in April to a preliminary 15,750 from 10,919 in April, 1993, according to the Swedish car retailers' association. The figure for the first four months of the year showed a 27 per cent rise, to 52,939 from 41,612 in January-April 1993.

Karadzic anger at new UN safe area

By Laura Silber in Belgrade and David Buchan in Paris

Mr Radovan Karadzic, the Bosnian Serb leader, yesterday vowed that he would block any moves to designate as a United Nations "safe area" the town of Brcko, on the eastern end of the Serb corridor in Bosnia.

The "corridor is of vital interest to the Serbian nation," he said, ruling out any possible change in the status of Brcko, which has "always been in Serb hands".

Earlier, Mr Alain Juppé, the French foreign minister, had called on the United Nations to make the Brcko corridor "a security zone" with the same status as Sarajevo or Gorazde, so that Nato aircraft could intervene "at the first cannon shot ... by one side or the other".

Speaking to the Anglo-American Press Association in Paris, Mr Juppé described the Brcko corridor as "very sensitive" to both Moslems, who wanted it for access to the Sava river and thence to the Danube, and to Serbs, who wanted it to link their territories in east and west Bosnia.

UN officials fear that the town, which is set on the land corridor joining Belgrade with Serb-held towns in Bosnia and Croatia, will be the next flashpoint and are considering how a conflict can be avoided in the area.

In Gorazde, the Moslem enclave in south-east Bosnia, UN reports cite heightened tensions including an incident on Saturday in which British soldiers returned fire, killing two Serbs.

In a similar incident near Tuzla, a another UN "safe area", nine Serbs were killed after firing four anti-tank missiles on soldiers from the Nordic battalion who used their powerful Leopard tanks in the exchange, said UN officials.

There were further reports yesterday that Serb forces are concentrating their heavy weapons in the strategic north-eastern region.

Mr Haris Silajdzic, the Bosnian prime minister, who today is due to meet Mr Yasushi Akashi, senior UN official for former Yugoslavia, in Sarajevo to discuss prospects for resuming peace talks, yesterday warned that the Bosnian government would not rejoin negotiations until Serb forces fully complied with a Nato ultimatum to withdraw from a 20 km exclusion zone around Gorazde.

UN officials at the weekend said Serb soldiers have shed their army fatigues only to return in blue uniforms in the guise of policemen protecting Serb settlers. The immediate resettlement of Serbs is part of a Serb plan to partition Gorazde.

Mr Karadzic yesterday warned that the US is poised on a "new Vietnam in Bosnia" and accused the UN too of siding with the Moslems.

In Sarajevo, Nato aircraft were called in to buzz a weapons depot ending a four-hour standoff between Serb forces trying to take back their heavy weapons from UN soldiers.

Major Guy Vinet, a UN spokesman, said up to 15 Bosnian Serb soldiers on Sunday night moved in on the storage point, holding about 30 weapons under guard by 20-25 French soldiers.

White House pushes gun control

By George Graham in Washington

The Clinton administration has begun an all-out drive to win support for a ban on assault weapons and large-magazine guns, but still faces possible defeat when the measure comes to a vote in the House of Representatives later this week.

White House officials acknowledge they are still around 15 votes short in the House, despite the support of Congressman Henry Hyde of Illinois, a senior Republican who has in the past opposed similar bans but who voted for the measure in committee last week. The proposed law closely resembles a measure included last year by the Senate in a much broader crime bill, and would outlaw 19 specific weapons, as well as high capacity magazines.

'Why have laws that protect ducks more than human beings?'

It would also impose a more general ban on semi-automatic weapons which have additional features such as flash suppressors, but would specifically exempt over 600 types of gun considered to have a legitimate sporting purpose.

But Congressman Jack Brooks, a Texas Democrat who is chairman of the House judiciary committee, opposes the ban and kept it out of the House's broad crime bill, hoping that if it is defeated on its own on the floor of the House he will have more leverage to resist it as the House and Senate try to reconcile their versions of the crime bill.

Senior administration officials have tried to tackle the National Rifle Association, the potent gun lobbying group which opposes the measure, by mobilising police officers and hunters to argue for it.

Mr Lloyd Bentsen, the treasury secretary, pointed out that the bill seeks to restrict magazines that hold as many as 90 rounds, while federal law restricts hunting for migratory birds to guns with no more than three shells.

"Now, why should we have laws that protect ducks more than human beings?" Mr Bentsen asked.

Probe of attacks on US policy

By Michael Littlejohns, UN Correspondent, in New York

Mr Boutros Boutros Ghali, the UN secretary-general, has ordered an inquiry into public criticisms of US policy towards former Yugoslavia by senior UN officials in Bosnia that were the subject of a sharp protest by the Clinton administration.

Mr Boutros Ghali told Mr Yasushi Akashi, the top UN mediator, that his suggestion the US had become "afraid, timid and tentative" since the Somalia debacle, was "completely unacceptable".

In an exchange of letters made public last night, Mr Boutros Ghali informed Mrs Madeleine Albright, the US delegate to the UN, that he shared her "profound concern" over the affair.

Mr Akashi had been told to "take every measure to ensure that there are no recurrences" on his part or that of other UN officials.

Indian inflation at highest level for two years

By Stefan Wagstyl in New Delhi

Pressure is mounting on the Indian authorities to act to curb inflation after the publication of figures at the weekend showing the annual rate of price increases rising to 10.6 per cent, the highest in nearly two years.

The figures, measuring the rate of increase in wholesale prices for the week ending April 9, show inflation has climbed steadily from just 6.9 per cent 12 months ago.

With foreign exchange reserves at record levels, finance ministry officials see little risk of a repeat of the 1991 economic crisis when inflation, government borrowing and the balance of payments veered out of control. But they admit that rising prices could undermine efforts to achieve stable growth and to carry out further economic liberalisation.

Mr Manmohan Singh, the finance minister, and Dr C Rangarajan, the governor of the Reserve Bank of India, the central bank, have both emphasised in recent speeches the dangers posed by inflation.

The government last month acted to try to protect the poor from possible further increases in food prices by lifting restrictions on sugar imports. However, it is not clear how much these measures will limit the overall inflation rate rise, which is being driven not by changes in food prices but by financial pressures – notably persistent government deficits and a surge in foreign investment.

The fiscal deficit in the year to March soared to 7.3 per cent of gross domestic product, compared with a target of 4.6 per cent, according to finance ministry figures, which may yet be revised upwards.

Meanwhile, foreign investment has soared to about $5bn (£3.4bn) in 1993-94, far exceeding government forecasts and flooding the financial markets with excess cash. The central bank estimates the money supply grew by 17.9 per cent in the year, up from 14.6 per cent in 1992-93.

Commenting on India in its recent report, The World Economic Outlook, the International Monetary Fund listed as "troubling features" the rekindling of inflation and the weakening of fiscal management.

The Reserve Bank is expected to try to curb further money supply growth when it decides its credit policy for the period April-September at a much-delayed board meeting due on May 14. It might balk at raising interest rates since industrial growth is sluggish, but it could raise the minimum deposits commercial banks are required to make at the Reserve Bank.

● India's exports in the year to March grew 20.4 per cent to $22.17bn, according to figures announced yesterday by the commerce ministry. They provided fresh evidence that the government's liberalisation of foreign trade and investment is bearing fruit. Imports grew 6.8 per cent to $23.1bn, leaving a trade deficit of $1.0bn, compared to $3.3bn in 1992-93.

Cardin sets up shop in three cities

Pierre Cardin, the French fashion designer and head of a diversified retail marketing group, yesterday launched a chain of shops in India, writes Stefan Wagstyl in New Delhi.

Mr Cardin is following Benetton of Italy, France's Lacoste and other fashion companies which have entered the Indian market in the past year, following the liberalisation of foreign trade and investment.

The French designer will take a 26 per cent stake in a joint venture with Indian partners.

The initial investment is Rs16.5m (£354,000) which will pay for a design studio, workshops and three shops in Delhi, Bombay and Calcutta. If the venture goes well, the partners plan to open more stores and raise their investment to Rs250m.

Mr Cardin also sees India as a potential supply source for his joint venture and franchised outlets in other countries.

Speaking at a news conference, he said: "I am sure India will be another Paris of Asia since its textiles and jewellery are so good."

Mr Cardin's executives said India would be a particularly good source for cotton and silk clothing.

The first exports would go in small quantities to Russia, but retailers in all the 120 countries in which Pierre Cardin goods are marketed would also be free to come and place orders.

Mr Cardin, who is 72 years old and opened his fashion house in 1950, said he had no plans to retire. After India he was intending to visit two other countries still waiting for their first Pierre Cardin investments – Vietnam and Cuba.

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Capital inflow pushes yen ever higher

William Dawkins focuses on the reasons behind the recent rise in Japan's currency

The mechanics of the yen's recent jump against the dollar are not as contrary as they look; a heavy net flow of capital into Japan is the main technical factor at work; cash-starved Japanese financial institutions need to raise yen and foreign investors are just as eager to supply yen to buy the bonds, shares, golf courses and office buildings the Japanese are busily unloading.

Japanese and US Federal Reserve intervention to support the dollar and drive down the yen is probably due to fears that the dollar-yen at this level will harm both their economies, throttling Japan's weak signs of recovery and fuelling US inflation.

To many others, the yen's rise is plainly illogical. Why should a country with a weak economy and powerless government have a stronger currency than one with a recovering economy?

But such considerations do not overly concern the market. The French and German central banks found this to their cost when they jointly intervened last year in a fruitless attempt to defend what appeared to be an economically justified fixed link between their currencies.

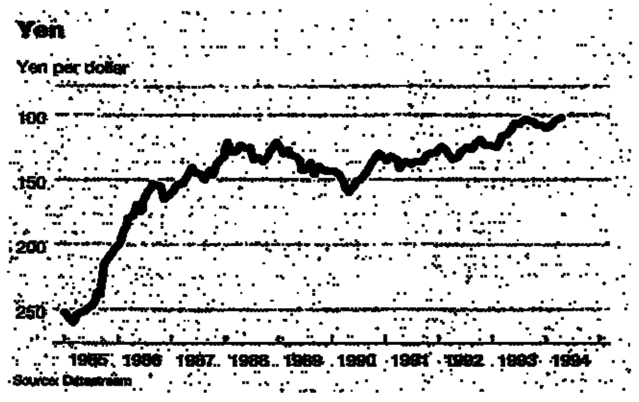
As the French and Germans also found last year, central bank intervention is too small to control the giant forces of the foreign exchange markets. The dollar-yen market turns over between \$100bn and \$150bn worldwide daily, easily equivalent to the Bank of Japan's entire foreign reserves, which amounted to \$104.56bn at the end of April.

The biggest players in the current currency turmoil are the Japanese banks and life insurance companies.

They have sold record volumes of Japanese shares over past few months, to plump up their meagre earnings before closing the books at the end of March.

Foreign investors have been eager buyers, spending on average Y1,000bn per month on Japanese shares in the first quarter of this year, according to the Tokyo Stock Exchange. This has tailed off slightly since.

"Japanese institutions in general have a liquidity squeeze due to the after-effects of the bubble economy," said Mr Peter Tasker, chief strategist at Kleinwort Benson, referring to the sharp inflation and then collapse of Japanese asset prices at the turn of the decade.



"They can only generate cash by selling assets overseas and transferring them into yen or selling yen assets to foreigners," he added.

Japanese corporate holders of US property last year sold or partially disposed of \$17.59bn of US properties, nearly a quarter of the total US property portfolio built up by Japanese institutions since the start of their investment boom in 1985, according to Kenneth Leventhal, the US accountancy firm.

At the same time, Japanese investors have sharply reduced their purchases of dollars since the turn of the year thereby weakening the US currency – and no doubt proving that they were right to do this.

In the final quarter of 1993, Japanese institutions bought \$37.5bn of US shares and bonds, a four-year record and more than Japan's current account surplus in that period.

That dwindled to a mere \$3.5bn at the latest count by the finance ministry, for the first two months of this year.

This dramatic change reflects Japanese investors' loss of confidence in the dollar, based on suspicion that the US administration is tempted by competitive devaluation, according to Mr Geoffrey Barker, chief economist at Baring Securities in Tokyo.

"The intervention we have seen by the Fed and the Bank of Japan has not yet restored confidence," he said.

All this suggests that the International Monetary Fund is right to believe that there will this year be little change in Japan's record \$131bn current account surplus last year.

Yet these forces were in place before the latest surge in the yen, inviting the question why did the foreign exchange markets choose now to move.

One popular explanation is the emergence last week of a weak minority Japanese government, unlikely to agree on tax cuts needed to stimulate demand and so likely to frustrate the US, which will then be tempted to push up the yen to put pressure on Japan to open its markets.

The flaw in that view is that the new government is not much weaker than the last one; and a strong Japanese administration might in any case worsen the US trade dispute.

But there is a real political risk that this and future governments will lack a clear economic agenda, argues Mr Paul Summerville, director of Asian research for Lehman Brothers Japan.

That implies little chance of enlarging the tentative recovery, so far limited to areas like housing and public works, which do not consume large amounts of dollars.

Renewed fears of inflation in the US, fuelled by recent data, is another new factor.

Either way, the brute weight of money is what counts in the end.

Foreign exchange analysts in Tokyo expect a fresh attack on the dollar and upward push on the yen as soon as the Golden Week holiday ends on Friday.

They predict that joint intervention by the US Federal Reserve and the Bank of Japan will be tested to new limits.

See Currencies page

Tokyo tries to defend policy towards Iran

By Paul Abrahams in Tokyo

Japan's foreign ministry yesterday defended its policy of ties with Iran following allegations last week that Tehran has been supporting terrorist groups including the Irish Republican Army and the Japanese Red Army.

The ministry was attempting to deflect criticism of Japan's independent Iranian policy which is likely to be on the agenda at July's G7 summit. Officials indicated that the policy could be reviewed if the UK provided conclusive evidence of terrorist links. "The allegations involving the IRA are completely new and have come as a complete surprise to us. If Iran is linked with the IRA, then we would have to be decisive," said a ministry official.

A change in Tokyo's policy towards Tehran would be a relief to the US and UK. Both have been anxious to use Tehran's short-term debt crisis to to force Iran to change its policies and Japan has been providing aid and finance for Iran's beleaguered economy, including rescheduling \$2.3bn worth of short-term debt and supplying Y38.8bn in aid for a hydro-electric power project.

Ministry officials yesterday said the aim of this strategy was to support the "pragmatists" in Tehran. These moderate elements, led, according to the officials, by President Ali Akbar Hashemi Rafsanjani, are on the defensive because of Iran's deteriorating economy. The danger was that President Rafsanjani could fall, to be replaced by someone worse.

"Iranian politics is complicated and it is far from clear what would happen if he [President Rafsanjani] was ousted. But it could lead to an extreme form of government, and that would not be in the international community's interest," said one official.

The ministry pointed out that German, Austrian and Danish companies had carried out similar rescheduling programmes. "The rescheduling issue is over because of the Europeans," said an official. In any case, he explained, the Japanese government, given its free-market policies, did not have the authority to prevent private companies rescheduling. US trade with Iran was expanding and was already greater than Japan's, he added.

"By having reasonable relations with Iran, we have some influence. The Iranians, for example, are being very careful with the North Koreans [about missile technology]," the officials concluded. "President Rafsanjani is a source of realism in the government. We can see that in the restraint Iran has been showing in not exporting revolutionary Islamic ideology to neighbours such as Afghanistan, Azerbaijan and Armenia."

The ministry said its policy was not motivated by oil. Iran supplies between 7 per cent and 8 per cent of Japan's oil requirements, compared with more than 30 per cent before the Iranian revolution. However, officials conceded that Japan had an interest in achieving stability in the Gulf, since more than 50 per cent of Japan's oil supplies come the United Arab Emirates and Saudi Arabia.

Ministry officials said they were aware of incidents suggesting links between the Iranian government and assassinations, noting that since the beginning of 1991, at least 12 opponents of the regime in Tehran have been killed. They include the former bodyguard of the Shah killed in Turkey two years ago, the assassination of Mr Mohammad Hassan Arbab in Pakistan last June; the machine-gunning of four members of the Kurdish Democratic Party in Berlin in 1992, and the dramatic killing of the former Iranian prime minister, Mr Shahpour Bakhtiar, in Paris in 1991.

The Japanese foreign ministry said it had no evidence directly linking the assassinations with the Iranian government but cite investigations into the murder of Mr Bakhtiar which led French prosecutors to conclude that Vevak, Iran's secret service, was responsible for the murder.

Ministry officials said they were aware of reports suggesting members of the Japanese Red Army had visited Tehran late last year together with elements of the IRA, Abu Nidal and other groups. They had also heard suggestions that the Japanese then travelled to the Beka'a Valley in Lebanon to be trained by members of the Iranian Republican Guards with the intention they should conduct joint assassination missions with other extremist groups in the US and Europe.

If the UK was able to provide evidence about links between Iran and the IRA, this could affect Japan's policy, the officials said. The moment for decisive action has not yet arrived, however. "Until we are provided with proof, it would be premature for Japan to take sanctions against Iran," they said.

Hata in first overseas visit

By Michiyo Nakamoto in Tokyo

Mr Tsutomu Hata, the Japanese prime minister, yesterday left for Europe on his first official visit abroad after taking office last Monday.

Mr Hata will be visiting Italy, France, Germany and Belgium, and is scheduled to meet the heads of government of those countries as well as Mr Jacques Delors, president of the European Commission.

Discussions between the Japanese prime minister and his European counterparts are likely to centre on furthering bilateral and regional ties.

During his meetings with European leaders, including French President François Mitterrand and German Chancellor Helmut Kohl, Mr Hata is likely to explain Japan's efforts to deregulate its markets in an effort to reduce its massive trade surplus and help boost international economic activity.


Tsutomu Hata: discussions on furthering bilateral ties AP

The European Union has expressed concern about Japan's current account surplus, although discussions on the issue have been overshadowed by recent fraught exchanges regarding trade between the US and Japan.

The Japanese prime minister is also expected to confirm Japan's support for UN-led peace efforts in the former Yugoslavia.

The trip, which was planned by his predecessor, Mr Morihiro Hosokawa, will provide the new Japanese prime minister with an opportunity to get to know his counterparts in Europe before the Group of Seven summit meeting in Naples in July. The Golden Week holiday period, when most of Japan shuts down, has usually been a convenient time for the country's prime ministers to travel abroad.

Miti angered by US view of trade practices

By Michiyo Nakamoto

Japan's Ministry of International Trade and Industry has responded angrily to a US report which criticised Japanese trade practices as ambiguous, lacking in objectivity and in many ways based on faulty or questionable analysis.

"We cannot understand clearly what is the standard of their judgment," said Mr Sozaburo Okamatsu, the trade ministry's vice-minister for international affairs, in response to the 1994 National Trade Estimate Report on Foreign Trade Barriers published at the end of March. Because Super 301 was revived by the US, the 1994 report, unlike previous NTE reports, becomes part of the process of invoking the Super 301 trade bill which allows the US to unilaterally retaliate against countries it judges to be unfair trading partners.

In a formal written response presented to the US embassy in Tokyo yesterday, the trade ministry notes that Super 301 goes "against the letter and spirit of the Gatt and the Uruguay Round accords."

Having said that, many assertions made in the NTE report lack theoretical or factual basis, Miti says. For example, the report's assertion that Japan's large and persistent (current account) surpluses indicate an imbalanced approach to trade in Japan and have depressed production and employment in many of Japan's trading partners cannot be supported by the facts, the trade ministry points out.

Miti said that Japan's surpluses are not proof of closed markets, but instead indicate an imbalance of savings and investment. Countries such as Hong Kong and Singapore, which clearly have low trade barriers, also have trade surpluses, it noted.

In addition, Japan's low average tariff rate on manufactured and mining products – at 2.2 per cent, compared with 5.4 per cent for the US and 5.7 per cent for the EU – and its low number of items subject to import quotas, belie the assertion in the USTR's report that Japan is significantly less open to imports and foreign direct investment than other countries, Miti said. To cut Japan's surpluses it is necessary to raise investment in Japan and change the balance of savings and investment, Miti noted.

The US has delayed for two months trade action against China for its failure to enforce intellectual property rights and against Japan for discriminatory government procurement practices, writes Nancy Dunne in Washington. The postponement keeps the focus on China's human rights policies a month before President Clinton must decide whether to renew China's Most Favoured Nation trade status. It also gives Japan's new government time to address US complaints about barriers to US telecommunications and medical equipment companies when bidding on government contracts. Mr Mickey Kantor, US trade representative, said some progress was made on Japan's procurement practices in talks at Marrakesh with Mr Tsutomu Hata, now premier, and the US "will assess the seriousness of any official Japanese response". On intellectual property rights China as well as Argentina and India "pose the most significant problems in this area".

INTERNATIONAL PRESS REVIEW

The tabloids pick on Ozawa

JAPAN

By Emiko Terazono

In an effort to ease the boredom of a long and crowded commute, many Japanese salarymen reach for the tabloid sports dailies, rolled up in high pillars at the front of newstands, before boarding their trains to work.

And the tabloids seldom disappoint. While office workers get their mainstream dailies delivered to the door, the sports tabloids, lacking the extensive distribution systems of the large newspapers, try to lure readers with their colourful front pages and lurid headlines.

The downmarket tabloid papers provide their readers with a mish-mash of coverage – last night's baseball and soccer results, photos and comics of scantily clad women, the latest in showbiz gossip and the recent goings on in Nagatacho, Tokyo's political district.

The sensational, and often bizarre stories, together with unrestrained assaults on the mainstream press and public figures, have continued to attract more readers.

The top four sports tabloids – Sports Nippon, Nikkan Sports, Sankei Sports and Hochi Shimbun – with a total circulation of 2m, have seen their sales rise by 2 to 3 per cent a year, while circulation growth at the mainstream dailies has been flat for the past few years.

The frustration among white collar salarymen as a result of the prolonged recession has also helped the tabloids' sales. The mocking captions, anti-establishment attitudes, and of course the smut, have even caught the imagination of elite businessmen, who strictly limit the scanning of such papers to the trains, away from office and home.


Ozawa: his comparison of the parliamentary alliance to an extramarital affair was picked up by every tabloid AP

Political coverage, usually tucked alongside advertisements for sex telephone lines and office workers' blue suits, has recently managed to find its way onto the outside pages. Bypassing any attempt at high-handed analysis, the tabloids have opted to provide their readers with frivolous information about politicians and the squabbles in Nagatacho, subjects usually untouched by the morning dailies.

When the new cabinet was announced last week, Sports Nippon and Nikkan Sports carried tables which provided blood types, horoscopes, and heights and weights of all the ministers. Nikkan wondered if Prime Minister Tsutomu Hata, a Virgo with blood type O, could manage the helm.

With the political interests and coalition turmoil becoming too complicated for the tabloids – and the ordinary Japanese – to follow, the downmarket press have made things simpler by lambasting Mr Ichiro Ozawa, the coalition's strategist.

Mr Ozawa's comparison of last week's creation of the parliamentary alliance "Kaishin" or innovation, to an extramartial affair was picked up by every tabloid. "It doesn't matter how many women one sleeps with. If the Socialist Democrats feel jealous they have only to come and join us," he said in response to the outcry among the socialist members, who have been strongly opposing any grand union among political parties.

In an article beside a photo of Tonya Harding, the Nikkan Gendai called Mr Ozawa an "immature and defective human being," condemning his sexist slurs and another loose comment in which he suggested the Asahi Shimbun, a centre-left daily with anti-Ozawa tendencies, should be blown up with a nuclear bomb.

Meanwhile the television commentators over the weekend poked fun at Mr Hata's questionable ability as a leader. One prime time programme offered film clips of newly appointed ministers clad in their 1920s-style suits, scrambling for photogenic positions at the ritual picture taking of the cabinet. Mr Koji Kakizawa, foreign minister, and Mr Mutsuki Kato, agriculture minister, seemingly unaware of the rolling camera, ignored Mr Hata's protests to let the "women in the front," and shoved aside fellow cabinet members to stand in the front row with the prime minister.

Seoul to increase watch on North

By John Burton in Seoul

South Korean President Kim Young-sam yesterday ordered increased surveillance of North Korean military movements in response to its threat to disband the military armistice commission.

South Korean defence forces were placed on temporary alert on Saturday after between 15 and 20 North Korean aircraft were detected flying close to the demilitarised zone between the two Koreas. The aircraft manoeuvres indicated increased military exercises by North Korea.

North Korea has threatened to pull out of the military armistice commission, which supervises the truce that ended the Korean War of 1950-53, unless the US holds negotiations with Pyongyang on a peace treaty to replace the 40-year old armistice agreement.

The US has refused the demand, explaining the dispute over North Korean nuclear inspections must be resolved first.

Western diplomats in Seoul believe that North Korea is using the peace treaty proposal as a new bargining chip in the international negotiations over nuclear inspections.

Those negotiations appear to be at a standstill after North Korea last week rejected conditions set by the International Atomic Energy Agency for new inspections of its nuclear sites, including supervising the refueling of its 5MW reactor. The US is concerned that unsupervised replacement of the reactor's fuel rods this month will allow North Korea to divert enough plutonium to produce four or five nuclear devices.

Yitzhak Rabin passes behind US and Israeli flags after his Jerusalem meeting yesterday with Warren Christopher *Reuter*

Palestinians to have right to set up stock market

By Julian Ozanne in Jerusalem

Palestinians preparing for self-government in the Gaza Strip and West Bank enclave of Jericho will have the right to establish a stock market, issue bonds, create an embryonic central bank and work towards a trade surplus with Israel, Israeli officials said yesterday.

Although the economic accord signed between Israel and the Palestine Liberation Organisation last week makes no reference to a stock market or Palestinian bonds, Israeli officials said they were implicit in the agreement.

Mr Avi Ben-Basat, head of research at the Bank of Israel, said yesterday the incoming Palestinian Interim Self-Governing Authority could establish a stock exchange which would be governed by a securities authority similar to Israel's. Palestinians, foreigners and Israeli citizens would be able to invest.

Under the economic protocol, Palestinians will create a Palestinian Monetary Authority(PMA) responsible for licensing, supervising and inspecting banks; determining the liquidity requirements on all deposits held by banks operating in the self-rule areas; and managing foreign exchange reserves and foreign currency transactions.

The agreement says the PMA will also have the power to regulate and supervise capital activities in the self-rule areas including the licensing of capital market institutions, finance companies and investment plus with Israel leaving the self-rule areas with an excess of Israeli shekels which would remain the legal tender.

Under the accord the PMA has the right to convert excess Israeli shekels into foreign currency at the Bank of Israel according to a mutually agreed annual estimate of the flow of

> 'We have a big interest in their success because their success will stabilise peace in the area'

funds.

Mr Basat said these provisions implicitly allowed for a stock exchange although he thought the Palestinians would first build up a money market.

"They may concentrate on the money market because it is not developed enough today," he said. "But they have the right to create all the institutions they need for an efficient capital market."

Mr Basat said the new trade policy of the accord, which allows Palestinians to import directly and boost exports, could eliminate the current $300m trade deficit with Israel, possibly creating a trade surplus goods and services between Israel and the self-rule areas.

Mr Basat said this, combined with exports to the rest of the world, foreign aid and loans, could lead the Palestinian self-government to accumulate foreign currency reserves which could back significant bond issues. Palestinian and other Arab nationals would be the most likely investors in the new bonds, which would be an important source of financing for the activities of the self-government.

Mr Basat said the monetary authority was not a central bank because under the agreement the Palestinians would not be allowed for the moment to issue their own currency, and would therefore be limited in their ability to influence monetary policy.

Israeli officials said the decision not to allow a Palestinian currency was largely political because it was an issue of "sovereignty". But Mr Basat said there were also significant economic reasons behinds Israel's refusal.

He said a common currency made trade relations much easier and cheaper, prevented Palestinian migrant workers from incurring high conversion fees and allayed Israeli fears that the Palestinian self-government would print money to finance its activities rather than work on collecting taxes and so risk high inflation.

"You could say high inflation was a Palestinian problem but we have a big interest in their success because their success will stabilise the peace in the area," he said

However, Palestinian economists and bankers said the PMA would be effectively an embryonic central bank that would be well poised to take full control over monetary policy within a year or two.

Yemeni clashes heighten fears of civil war

By Eric Watkins in Sana'a

Yemen's quarrelling political leaders yesterday exchanged heated recriminations following last week's battle near Sana'a which, officials say, left 79 dead and 119 wounded.

Reports of further clashes between rival northern and southern military units throughout the country have added to the growing tension, fuelling fears of a civil war.

President Ali Abdullah Saleh, the northern leader, yesterday accused his southern rival, vice-president Ali Salem al-Biedh, of "secessionism" and vowed to use military force against him if necessary. "This is a decisive battle and we will have to fight it if we are forced to defend unity . . . and confront secessionists," General Saleh said, addressing southern soldiers who surrendered after the battle last week.

Referring to the battle at Amran, about 50km north-west of Sana'a, Mr Biedh said: "This means the launching of an all-out civil war", and Gen Saleh was "personally and fully responsible for all that happened and is happening".

Mr Biedh repeated his charges over the weekend in telephone conversations with key Arab leaders, including Egypt's president Hosni Mubarak, Saudi Arabia's King Fahd and Libya's Colonel Qaddafi.

Gen Saleh, who himself sent a personal envoy to King Fahd on Friday, has frequently accused Saudi Arabia and other "outside forces" of supporting Mr Biedh and his Yemen Socialist party.

"Yemen's ruling presidential council echoed those charges on Friday, saying that Mr Biedh and the socialists wanted the Arab League and other Arab countries to interfere as an excuse to deploy more military forces along the former border between north and south Yemen.

As the war of words escalates, observers fear further armed clashes, especially along the old border where rival troops already stand on alert. But flash points are more likely at southern military bases located in the north and northern ones in the south.

Cambodia peace talks put off as fighting flares

By Victor Mallet in Bangkok

Cambodian peace talks scheduled to begin yesterday between Khmer Rouge guerrillas and the Phnom Penh government have been postponed indefinitely amid some of the most serious fighting in the country for five years.

King Norodom Sihanouk offered to host the negotiations at his royal palace, but the continuing warfare in northern and western Cambodia together with complaints from Khmer Rouge leaders that their safety could not be guaranteed in Phnom Penh meant the talks had to be called off.

"We must put an end to this war but no-one listens to me," a downcast King Sihanouk told Cambodian journalists. "The round table cannot take place for the time being because there is a very serious difference between Phnom Penh and the Khmer Rouge."

Khmer Rouge guerrillas recently recaptured their headquarters at the gem-mining town of Pailin near the Thai border and their northern stronghold at Anlong Veng, and are intensifying their attacks on government-held areas.

A Buddhist monk and a nun were killed in the north-west on Saturday by the Khmer Rouge, while taking part in a "peace march" in the company of government soldiers; six men working for a Cambodian mine-clearing project are believed to have been killed in an ambush; and fighting has closed the main road linking to Thailand to Cambodia to all but military traffic and forced the evacuation of UN staff from Sisophon.

In the south, four westerners are being held by the Khmer Rouge as part of what seems to be a new tactic of hostage-taking, and embassies have urged their nationals to take care while travelling.

Tens of thousands of Cambodians have fled the fighting, either to other parts of the country or to Thailand. The Cambodian government is now considering legislation to outlaw the Khmer Rouge.

A year ago this month, Cambodians went to the polls at the culmination of a $2bn UN peacekeeping operation. The outcome of the election was a coalition government bringing together the royalist Funcinpec party and the previous communist administration, but the Khmer Rouge refused to take part or to relinquish territory.

The guerrillas, although weakened by popular support for the UN-sponsored peace process, bided their time until the departure of most of the peacekeepers.

According to Prince Ranariddh, senior prime minister and Funcinpec leader, the government's policy is to keep the door open for talks with the Khmer Rouge while weakening the guerrillas militarily. At present, however, it is the government army which is on the defensive.

Taiwan deputies shout out about overseas votes

About 40 opposition deputies yesterday stormed out of a session of Taiwan's National Assembly after leaping onto their seats, screaming and unfurling protest banners as President Lee Teng-hui began an address, Reuter reports from Taipei.

"Long live Taiwanese. Oppose overseas Chinese voting for the president," deputies in the main opposition Democratic Progressive party (DPP) chanted as the assembly convened a three-month session to debate constitutional reforms.

"Look clearly Mr President," a DPP assemblyman screamed as he and colleagues held up banners reading: "Giving overseas Chinese the right to vote for the president is like luring a wolf into one's home."

Under a political reform package proposed by the ruling Nationalist party, ethnic Chinese living outside Taiwan and China will have the right to vote for the island's president.

DPP deputies oppose the proposal, arguing many of the overseas Chinese do not pay taxes and have dual citizenship. "The loyalty of overseas Chinese to Taiwan is questionable," one DPP assemblyman said.

According to government statistics, there are about 34m overseas Chinese worldwide. Taiwanese authorities are still studying how many would be eligible for absentee balloting.

The package needs the approval of the 314-member assembly, dominated by the Nationalists who hold 247 seats.

Mr Lee appeared indifferent to the walkout and screaming, and continued with his speech.

"We cannot cut ourselves off from society and amend the constitution without basis . . . We must gradually revise concepts, laws and systems which are out of keeping with the times," he told the session.

Outside the assembly chambers, DPP deputies shouted insults at deputies appointed to represent overseas Chinese.

Earlier, a group of DPP assemblymen charged the podium, jumped onto the chairman's table and ripped away microphones to protest the presence of plainclothesmen in the chambers, delaying the start of the session.

The reform package also calls for the introduction of direct presidential elections by popular vote – an issue which had previously divided the Nationalists.

Presidential election hopes prompt moderation

Brazilian Workers' party softens policy

By Angus Foster in São Paulo

Brazil's left-of-centre Workers' party (PT) has agreed a watered-down policy on the country's foreign debt which should help the election chances of its leader, Mr Luis Inácio Lula da Silva, front-runner in polls for October's presidential elections.

At the party's annual conference at the weekend, Mr da Silva and other moderates saw off calls for an immediate moratorium on Brazil's foreign debt if the PT won the presidency. Instead, a future PT government will seek to renegotiate existing accords and only suspend payment as a final measure in the face of creditors' intransigence.

Brazil is the developing world's biggest debtor and last month closed a \$49bn (£33.5bn) debt rescheduling after four years of negotiations. PT leaders insist the rescheduling was a bad deal for Brazil and that their government would seek better terms. However, some analysts believe an incoming PT government would have many other more urgent domestic problems to confront.

At the annual conference, several delegates attacked the International Monetary Fund and said debt payments should stop if they threatened Brazil's foreign reserves, standing at more than \$30bn.

Mr da Silva, who has moved from the left to the centre of the party since his defeat in the last presidential election in 1989, also moderated other policies in areas such as foreign investment and access to abortion.

The main problems a PT government would aim to tackle include social issues such as education, health, agricultural reform and land.

In opinion polls Mr da Silva is comfortably ahead of his nearest rival, Mr Fernando Henrique Cardoso, former finance minister. Full campaigning will probably not get under way until after the football World Cup final in the US in July.

Mr Cardoso was yesterday expected to announce a formal election alliance between his party, the centrist Brazilian Social Democrats (PSDB), and the right-of-centre Liberal Front (PFL), the second largest party in Congress. The alliance will give Mr Cardoso support in north-east Brazil, where the PFL is strong but Mr Cardoso weak.

Election threat to Ecuador reforms

By Raymond Colitt in Quito

Opposition parties yesterday won a convincing victory in Ecuador's mid-term congressional elections, threatening the future of President Sixto Durán Ballén's economic reform programme.

The president's Republican Unity party lost six seats in Congress and together with its ally, the Conservative party, now commands only nine of the 77 congressional votes.

The overwhelming winner of the election is the opposition Social Christian party, with 25 seats or one-third of the power in parliament.

President Durán insisted that "a couple of representatives less in parliament won't change the course of my government".

The president added that even without a legislative majority during his first two years, he had begun restructuring the country.

In order to continue and advance his state modernisation programme the president must forge alliances with opposition parties, notably the Social Christian party. Its leader and 1992 presidential candidate, Mr Jaime Nebot, indicated that his party supported a reduced state sector but at the same time would demand more social compensation for those affected by reform.

To move ahead with the privatisation of strategic sectors of the economy, the government will require congressional approval of pending legislative proposals.

According to opinion polls, the outgoing Congress was the most unpopular since Ecuador returned to democracy in 1979. As a result, voter apathy was considerable.

If Ecuadoreans approve the proposal to elect congressmen for four years, as stipulated in the plebiscite to be held on July 31, these could be the last mid-term congressional elections.

Critics argue that months of campaigning significantly impedes the legislative process.

Ernesto Zedillo: on defensive in an interview AP

Zedillo faces fallout from Mexican row

By Damian Fraser in Mexico City

Mexico's opposition has demanded that a cabinet minister be investigated for using public funds to support Mr Ernesto Zedillo, the governing party's presidential candidate, in what may be the first test of the government's willingness to abide by new electoral laws that outlaw such activity.

The opposition demand follows reports that Mr Carlos Hank González, the agriculture minister, arranged the publication of a newspaper advertisement in which 57 current and former ministers expressed their support for Mr Zedillo. The advertisement, which was published on April 12, has been much criticised, in part because signatories included ambassadors and a supposedly non-partisan electoral official.

The accusation – backed by a photocopy of a letter to the 57 signatories, signed by Mr Hank González's private secretary – is that the agricultural minister used official telephones, faxes and secretarial time in rallying support for Mr Zedillo. Mexico's new electoral law forbids such activities, and punishment could include a prison sentence.

The opposition demand is particularly embarrassing for Mr Zedillo, as Mr Hank González is his most powerful ally among the party's old guard. If any action was taken against Mr Hank González the fragile coalition in the Institutional Revolutionary party that supports Mr Zedillo would come under strain.

In an interview Mr Zedillo was defensive. "It is not proved. A photocopy of something is not proof in either this country [or] yours," he said.

The PRI has also been criticised for apparently backing down on its promise to publish its spending in the election campaign. Mr Zedillo said last week he would inform the public just once of the spending in his campaign before August's election, and refused to disclose how much the governing party had spent to date.

NEW CHIEF AT HELM OF VENEZUELAN CENTRAL BANK

Casas pledges to defend foreign exchange system

By Joseph Mann in Caracas

Mr Antonio Casas González, an economist with experience in domestic and international finance, took over as president of Venezuela's central bank at the weekend following three days of pressure on the nation's foreign currency reserves and a sharp decline in the bolivar.

In Mr Casas' first public statement as head of the central bank he underscored his commitment to defending the institution's autonomy and pledged to maintain the system of supply and demand of foreign exchange in effect before last week's crisis, when his predecessor resigned.

The Venezuelan central bank controls more than 90 per cent of the nation's foreign exchange reserves and its presence on the exchange market, until recently managed under a crawling peg system, is an important factor in determining the value of the bolivar. Problems began last week when Mrs Ruth de Krivoy resigned from the bank presidency; her departure precipitated a rush to buy US dollars.

Mrs Krivoy resigned after two years in the post because she felt the government of President Rafael Caldera was trying to compromise the bank's independence.

The government quickly appointed Mr Casas as governor but at the same time the central bank was trying to slow sales of dollars to commercial banks, some bankers reported.

The initiative, which was started last Wednesday but which was not encouraged by the Caldera government, succeeded only in raising fears of exchange controls. On Friday the central bank set an informal limit on sales to commercial banks and the bolivar suffered its worst decline against the US dollar in the last 16 months, falling by 4.6 per cent to close at 124 to the dollar.

At midday yesterday the bolivar continued to fall and demand for dollars was so strong that some banks ran out of US notes. At one commercial bank in Caracas, Banco Venezolano de Credito, the dollar opened yesterday morning at 126 bolivars to the dollar and closed just before noon at 132.

This amounted to a devaluation of 4.5 per cent in only a half day's trading.

NEWS: SOUTH AFRICAN ELECTIONS

Mandela's cabinet choices will signpost way to future

The toughest appointment will be that of first deputy president, with the winner becoming Mandela's heir-apparent, writes Patti Waldmeir

Everyone has known for months who will be South Africa's next president: Mr Nelson Mandela. So the betting classes have had to focus their wagers on the post of first deputy president, effectively the prime minister.

Mr Mandela has so far given away no secrets on his intentions for this post, or for any other in the 27-minister cabinet.

Before making these appointments he is required to consult the leaders of other parties represented in the planned government of national unity: all parties with more than 5 per cent of the vote are entitled to representation in proportion to their share of the national vote, and others may be invited in at his discretion.

But the final decisions are his, and it seems unlikely he has made them yet. Indeed, ministerial horse-trading probably cannot begin until after the final electoral results are known and it would take a clairvoyant to know when that will be.

Under the constitution, the National party (as the second largest) is guaranteed the post of second deputy president. This post will be filled by Mr F.W. de Klerk, the incumbent president. Beyond that the NP wants ministers in three broad categories: security, economy, and social affairs. And Mr Mandela seems inclined to cede powerful posts in each category.

However, the odds are that these will not include the important post of minister of finance.

Businessmen and international investors, who have pinned their hopes on the incumbent minister Mr Derek Keys continuing in office, will probably be disappointed.

Mr Mandela's African National Congress sees the upliftment of black South Africans as the central mission of its 80-year liberation struggle; it is unlikely to put the main economic portfolio in the hands of a member of the outgoing government. While Mr Chris Stals, the central bank governor, will remain in office (Mr Mandela has guaranteed this), Mr Keys could be offered the post of minister of trade and industry.

He previously indicated no interest in the job but may have reconsidered.

Indeed, the Finance Ministry could turn out to be the linchpin of the whole cabinet structure.

Once this post is filled it will determine other appointments for there is only one man in the ANC team who would make a remotely credible minister of finance – Mr Thabo Mbeki, the ANC's shadow foreign minister.

Mr Mbeki is a class act, and the ANC has used him as a kind of unofficial ambassador to white South Africa. Businessmen breathe an almost audible sigh of relief when they know they have the urbane and charming Mr Mbeki to deal with. He has a masters degree in economics from Sussex University, although no background in finance. But he is well known internationally, and has the confidence to handle international negotiations well.

Under the circumstances, Mr Mandela could probably make no better choice.

The decision could have a significant long-term impact on the future of South Africa. For if Mr Mbeki was appointed finance minister he could not become first deputy president. The leading contender for that post then would be Mr Cyril Ramaphosa, ANC secretary general. The winner will become undisputed heir-apparent to Mr Mandela.

It is a difficult choice, for both men are well qualified for the job. Mr Mbeki, 51, is older and more experienced. Mr Ramaphosa, 10 years his junior, has a ruthless political instinct which he used to win a constitutional deal which vastly favours the ANC. Few politicians can better him in battle. At the moment he looks the more likely choice, although only Mr Mandela knows for sure.

The ANC leader must also find cabinet space for one of his closest advisers, Mr Joe Slovo, chairman of the South African Communist party, who could win a security portfolio.

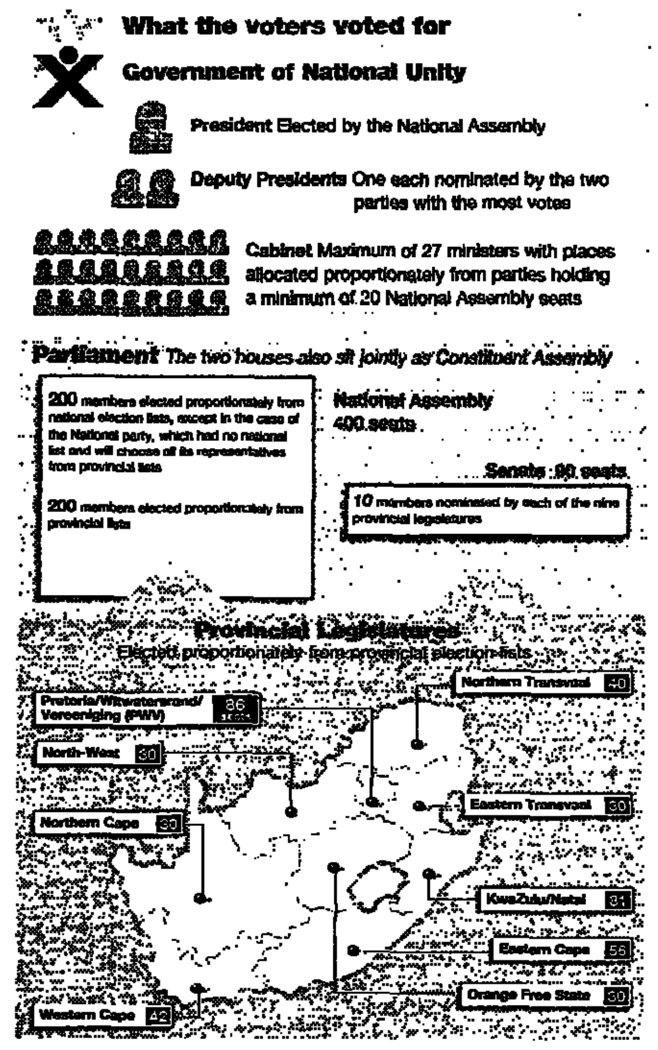
Mr Jay Naidoo, the union leader, could be made minister of reconstruction and development, a special economic post.

National party ministers must also be catered for.

Mr Mandela has said he would look favourably on Mr Kobie Coetsee, the incumbent justice minister and a hardliner whom the ANC leader came to know while still in jail, Mr Roelf Meyer, the National party's chief constitutional negotiator and a leading "enlightened" nationalist, and Mr Pik Botha, the long-serving foreign minister.

Far more difficult will be what to do with Chief Mangosuthu Buthelezi, leader of the Inkatha Freedom party, who could be made a third deputy president in the interests of national unity, and Gen Constand Viljoen, leader of the right-wing Freedom Front, whom Mr Mandela has said he would like to accommodate even if the front wins less than 5 per cent of the national vote.

Bets can still be placed, but time is running out. By the end of this week, or early next, the die will be cast.



'If it was not so tragic, it would be funny'

"Our only comfort is that the television broadcasters are making a bigger mess than we are," admitted an election official in a candid moment.

But the authorities at the SABC, the national broadcaster, would have good reason to contest that assertion.

Journalists who had planned to cover what should have been the inspiring story of South Africa's historic first all-race elections have been forced into writing about the continuing inefficiency of South Africa's Independent Electoral Commission, charged with running the elections.

The list of problems is seemingly endless. The IEC, having botched much of the four days of voting through a string of logistical oversights, now seems hard pressed to complete the counting process properly.

At Gallagher Estates, the plush conference centre just outside Johannesburg that was presented to the world as the information nerve centre of the election, nobody seems to know what is going on. Increasingly irritated media representatives are frequently handed out-of-date election results that have been taken off the wire services.

When new information does arrive, raw figures are distributed without verification or explanation.

And when, following complaints, an official issued a breakdown of voting in percentage terms, a hasty calculation showed the figures were incorrect.

The laager mentality – once used to describe obdurate, apartheid-era Afrikaner politicians – has become a better description of many commission officials who have retreated into defensive mode, blaming each other and, more frequently, IEC head office for the fiasco

"The IEC has taken note of your legitimate complaints and will seek to remedy them at the soonest opportunity," has become the stock phrase of the mild-mannered Mr Humphrey Khosa, the IEC official given the thankless task of dealing with the media.

Nonetheless, at the numerous press conferences designed to guarantee "full transparency" of the election process, comments are almost invariably opaque.

Mind-boggling declarations such as the fact that "formally unverifiable votes will be specially counted" are routinely issued.

Justice Johann Kriegler, head of the commission, claimed that the assessment and apportionment of all such technically invalid votes would be decided according to "a quantity thing, a distribution thing, a general pattern thing".

In an effort to speed up the flow of results the commission has jettisoned nearly all the safety precautions installed to prevent voter fraud – first by having to print millions of new ballot papers without the security counterfoils and then, instead of counting ballots only from sealed official ballot boxes, declaring that votes delivered in cardboard boxes and even plastic bags were valid.

Even more serious, instead of checking each ballot box received at counting stations with information from each polling station as to the number of boxes delivered, which is required under the electoral law, all votes received are being counted immediately.

"Reconciliation", sceptical listeners are told, will now follow after the results are released. Indeed, the much-trumpeted "verification procedure" consists of little more than IEC headquarters phoning up counting stations to doublecheck on the figures transmitted.

And, when that information is counted, instead of being immediately relayed, as promised, to the hundreds of the journalists gathered at the conference centre, it is transmitted by modem to two outdated personal computers. Even this limited operation hit snags; when the wires went down early on Sunday morning, attempts to rouse a sleeping technician to repair the damage were foiled when his mother refused to wake him up.

One party official summed it up this way: "If it wasn't so tragic, it would be funny."

Mark Suzman

Next chapter unclear after fairy-tale start

South Africa has emerged triumphant from the most perilous stage of a revolution without precedent, and its citizens seem bemused by their achievement.

After more than three hundred years of supremacy, the white minority last week finally, irrevocably and peacefully surrendered power at the ballot box to the country's black majority.

The full details of this astonishing – some say miraculous – event are not yet known, for the election commission is still grappling with mountains of ballot papers.

And one major obstacle which could jeopardise the prospects of a stable South Africa may yet emerge: the outcome of voting in KwaZulu/Natal, stronghold of the Zulu leader, Chief Mangosuthu Buthelezi.

Nor, at this stage, is it clear what may be the next step of the white right, whose extremists could yet destabilise South Africa with an assassin's bullet.

But, as an exuberant president in the waiting, Mr Nelson Mandela celebrated the ANC's achievement at last night's victory party, taking satisfaction in a fairy-tale start to the new South Africa.

And, as he pressed ahead with the critical process of reconciliation, South Africa's remarkable political metamorphosis continued.

In the television studios and televised press conferences, on radio and on newspaper front-pages, one leader began assuming the mantle of power, and the other, incumbent President F.W. de Klerk, began shedding it. Before its eyes, South Africa watched a process unfold which has neither precedent nor parallel in Africa, and perhaps the world.

Mr Mandela, never less than a monumental personality, seemed to gain further stature as the results trickled in; almost perceptibly, the aura that comes with office seemed to desert Mr de Klerk. Nothing so became the two men, and the country in their charge, than this transfer of power, which is due to to be made formal at next week's inauguration in Pretoria.

"For the first time I envy South Africans, for the first time I wish I could call myself South African," said one hard-bitten observer of many years standing last week. He had been moved almost to tears as he watched black and white embrace at a moving ceremony that took place at midnight on Tuesday.

Nothing so became Mandela and De Klerk as this transfer of power

Seldom, if ever, can the advent of democracy have been the instrument of catharthis so profound, so liberating, for rulers and ruled alike, as South Africa's unforgettable and moving experience last week.

Millions suffered under apartheid. But apartheid's victims extended beyond its borders. Hundreds of thousands died in Angola, Zimbabwe and Mozambique, the front-line states in the proxy battles to defend white rule.

But last week, for a precious few days, the pain of the past seems to have been eased, even thrust briefly out of mind.

A truce, undeclared and unspoken, in the political fighting that has cost more than 14,000 lives over the past 10 years was broken but not spoilt by the bombs of the extreme right. In the 24 hours that ended yesterday morning, police reported that there had not been single death from political violence.

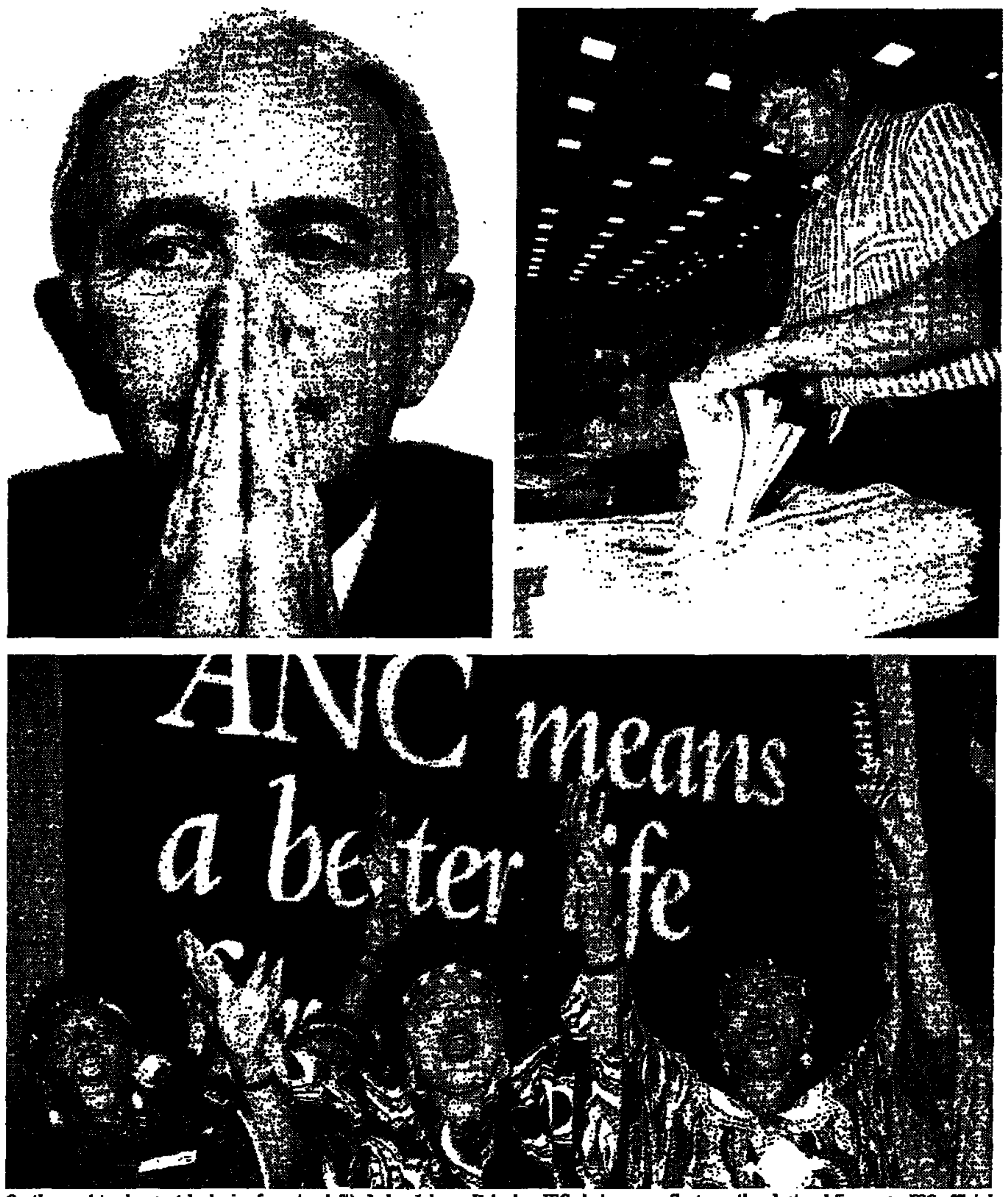
Joyous as the election was for blacks, it also became liberating for whites. As they cast their votes, many spoke of having the sense of casting off the burden of apartheid, whether or not they had supported the policy. Many were taken aback by the simple – though unprecedented experience – of going to the polling booths, black, coloured and white, as equals, to chose a government that for the first time will reflect the will of the majority.

The orange, white and blue flag of the old South Africa was lowered at centres across the land, and the new one raised while choirs sang the region's hymn of liberation, now adopted as one of one of the official anthems of post-apartheid South Africa: Nkosi sikele i'Afrika (God bless Africa).

For black South Africans in particular it was a proud moment, but for many Afrikaners it must have been a poignant, painful one. As that flag entered the history books, the other official anthem carried across the night air, sung in Afrikaans, and no doubt giving comfort to those fearful of what the future holds: Die Stem von Suid-Afrika (At thy call we shall not falter, firm and steadfast we shall stand. At thy will to live or perish, O South Africa, dear land).

Over the past week at least, most white South Africans overcame their apprehensions. And whatever may happen in the future, for a few days, South Africa has basked in the glow of pride asserted, and pride recovered.

Michael Holman



On the road to change (clockwise from top left); Judge Johann Kriegler, IEC chairman, reflects on the electoral fiasco; an IEC official counts ballot papers in Cape Town; and ANC supporters anticipate victory as results filter in Reuter/AP

Mixed-race voters ensure Nats triumph in the Cape

South Africa's mixed-race (coloured) citizens, who straddled the apartheid divide for almost 45 years, have voted to retain white domination at the Cape, where their black and white ancestors met in 1652, writes Brendan Boyle of Reuter in Cape Town.

Early results in South Africa's first all-race elections gave President F.W. de Klerk's white-led National party a commanding 30 per cent lead over Mr Nelson Mandela's largely black African National Congress in the Western Cape region.

Political analysts said the lead was due to support from coloureds, who fared better under apartheid than blacks but not as well as whites.

Mr Hernus Kriel, the white law and order minister, told reporters he expected an outright win in the race for premier of the region, which has Cape Town as its capital.

Mr Allan Boesak, coloured ANC premiership candidate, conceded that defeat was imminent: "The ANC will accept the outcome of the democratic process. As a people and as an ANC organisation in the Western Cape, we are ready to do whatever the situation demands of us."

Earlier, radical ANC activist Tony Yengeni, a member of the party's regional executive, broke ranks to talk of his sense of betrayal at the apparent NP lead. "Already the man in the street in the [black] township is feeling betrayed," he said. "We have been tortured and oppressed by the white man in this country for so long... and now a section of the population votes for the party that oppressed us to return to power."

The region's coloured community descends from early unions the Dutch settlers and the later British arrivals had with the indigenous black population they found at the Cape.

Mr Yengeni said ANC leaders would have to act decisively to prevent a black backlash against the mainly Afrikaans-speaking coloureds, who comprise almost 60 per cent of the 2.3m Western Cape electorate.

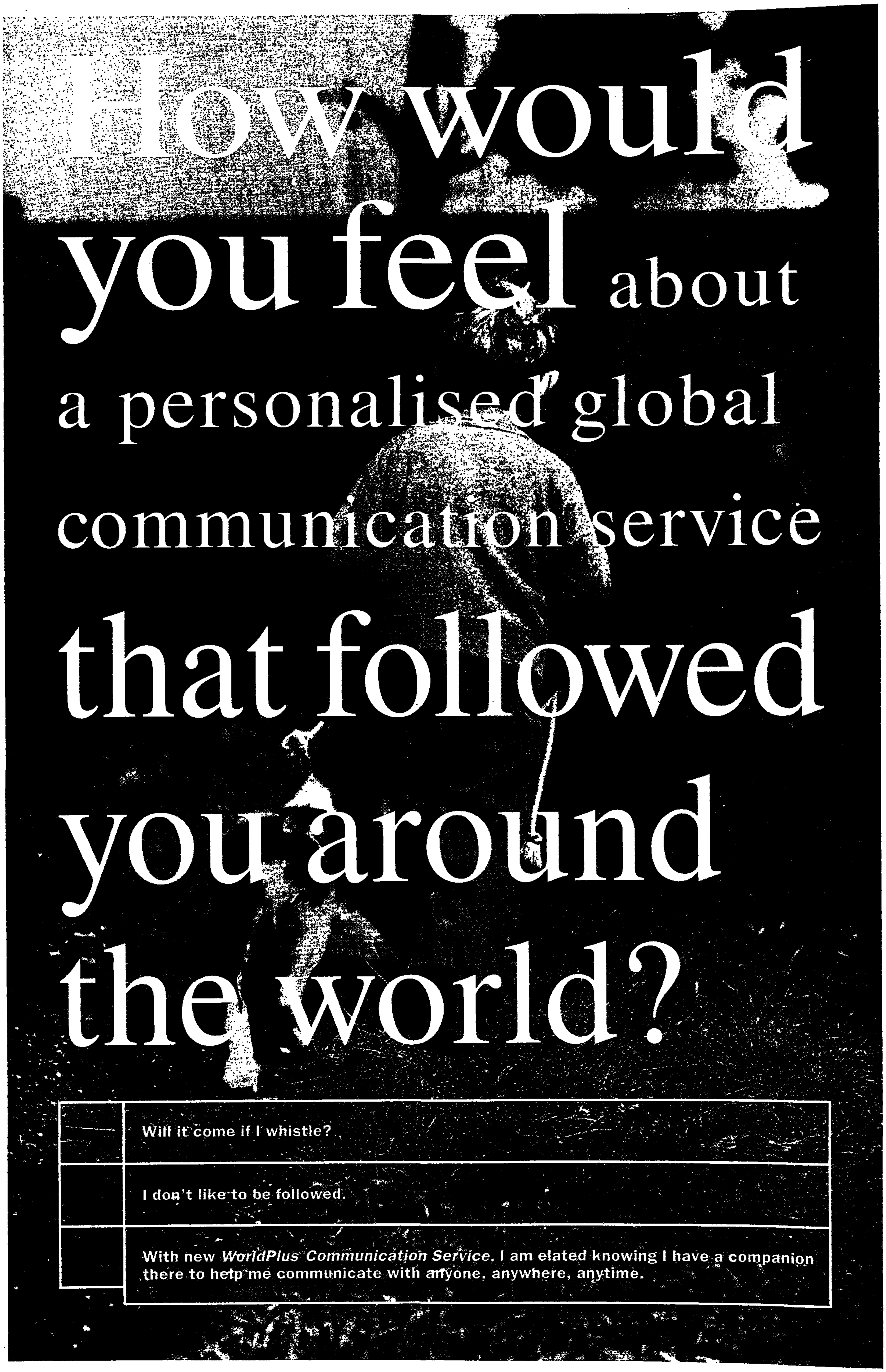
Emotional ANC and NP supporters gathered and traded insults late on Sunday on Cape Town's Grand Parade, where Mr Mandela made his first public appearance after his release from 27 years in jail in February 1990.

Ms Miriam Ebrahim wept as she watched NP members celebrating their likely victory with shouts of "Viva F.W. de Klerk." She said: "It was our own people that stabbed us in the back."

But Mr Andre Hofmeister, a coloured whose name underlines his half-European ancestry, pointed to a crowd of ANC supporters dancing with posters of Mandela and said: "These people are too stupid to realise that, if a black man rules this country, it will be run into the ground."

In a squalid shantytown there was no echo of the animosity evident on the Grand Parade. Standing next to a wooden fruit and vegetable stand, an ANC supporter, Mr Emanuel Makunga, said that most blacks would accept the results peacefully as part of the democratic process.

"This was a liberation election," he said. "People are more happy that they could vote for the first time than they will be upset that the ANC didn't win here. People respect the election process. But they won't be happy to be ruled by the same NP again."


How would
you feel about
a personalised global
communication service
that followed
you around
the world?
Will it come if I whistle?
I don't like to be followed.
With new WorldPlus Communication Service, I am elated knowing I have a companion there to help me communicate with anyone, anywhere, anytime.

Heinz plans to abandon TV marketing

By Raymond Snoddy

H. J. Heinz, the food manufacturer that brought the British public such memorable advertising campaigns as Beanz Meanz Heinz, is planning to create a new slogan – Heinz Meanz Direct Marketing.

Mr Tony O'Reilly, the flamboyant chairman and chief executive of the Pittsburgh-based international food group, is planning to end UK commercial television advertising for his products this year and instead concentrate on direct marketing.

Mr O'Reilly believes the era of mass marketing is giving way to more targeted selling techniques.

The Heinz plan to give up television advertising would be one of the most radical marketing moves in recent years by a food manufacturer. It comes as manufacturers of branded food products are facing growing competition from cheaper, own-label goods produced by supermarkets. The Heinz account is one of the longest established in television advertising.

Heinz has already built up a database of 5.6m homes in the UK that are heavy users of the company's products. Mr O'Reilly plans to send special discount vouchers directly to those homes, thereby bypassing conventional advertising media such as television and newspapers. The discount vouchers will be for individual Heinz products, such as baked beans, but also for groups of Heinz lines.

Mr O'Reilly, who is also chairman of Independent Newspapers of Ireland, has decided that direct marketing is the most cost-effective way of maintaining loyalty to the brands.

The Heinz chief executive sees the plan as the start of a "guerrilla" campaign against the increasing power of the large supermarket groups, which, he believes, sometimes treat branded products cavalierly.

Mr O'Reilly wants to take control of discounting policy for his brands rather than leaving it to the discretion of supermarkets. He is concerned that Heinz products are often treated as mid-market products when they should be priced and displayed as premium brands.

The Heinz chief executive is planning to send out discount vouchers unannounced and expects supermarkets to honour them. In particular, he hopes stores will support Food Manufacturers' Federation rules against "mis-redemption" – accepting vouchers as payment for any product as opposed to those intended.

● Brand manufacturers have warned that they will reconsider UK investment plans unless curbs are put on supermarkets' "look-alike" products.

The manufacturers are furious with the UK government's decision not to amend the trade marks bill to restrict the use of "look- alikes".

The warning has been given by Coca Cola, manufacturer of the world's best-selling branded product, and by members of the British Producers and Brand Owners Group.

Women 'opting out' of careers in management

By Richard Donkin, Labour Staff

Women are opting out of management careers in increasing numbers, according to a report published today which shows that the trend towards their greater representation in management has been reversed in the past year.

The findings of the Institute of Management report, the largest of its kind, covering more than 20,000 individuals in 339 of Britain's leading employers, shows that the percentage of women at almost all levels of management has fallen.

Mr Roger Young, the Institute's general manager, said he was disappointed with the findings.

He said: "For years we have been delighted to record women's increasing progress at all levels of management, but now they have suffered a setback."

One reason suggested is that more women are turning their backs on corporate careers because of some of the tougher and more stressful demands of modern management regimes.

Mr Young said: "Some women could be reacting against the non-family-friendly policies of larger companies and opting to leave the stresses of corporate life for the buzz of being in control of their own companies.

"In 1993, women were twice as likely to resign as men."

The institute's National Management Salary Survey shows that women managers and directors in the UK's largest organisations has fallen from last year's peak of 10.2 per cent to 9.5 per cent.

It is the first time for 21 years that the proportion of women managers has fallen.

The percentage of women managers had grown steadily from just 1.8 per cent in 1974, to 3.3 per cent in 1983, 8.6 per cent in 1992 and 10.2 per cent in last year.

The report also shows that although women managers had higher salary increases than their male colleagues, women executives continue to be paid less than men.

The average woman manager now earns £27,862 a year, while the average male manager earns £32,303. At director level the average female earns £56,040, while her male colleague earns £74,987.

Women also get poorer deals in other respects. The survey found they are less likely than men to get company cars, and when aged over 50 are more likely than their male counterparts to be made redundant.

The most popular jobs for women, said the report, were personnel and marketing and the least popular were research, development, manufacturing and production.

Nazmudin Virani on his way to court at London's Old Bailey handcuffed to a prison officer yesterday Picture: Ashley Ashwood

Virani found guilty in BCCI trial

By John Mason, Law Courts Correspondent

Mr Nazmudin Virani, the former property entrepreneur, was convicted at the Old Bailey yesterday of seven counts of fraud relating to his business dealings with the collapsed Bank of Credit and Commerce International.

Mr Virani was found guilty on one count of false accounting and six of furnishing false information to BCCI auditors Price Waterhouse in order to artificially boost the bank's profits by about £11m.

Mr Virani will be sentenced on May 11. Bail was refused and he was remanded in custody. Mr Justice Hutchison warned Mr Virani that the offences he had been convicted of were sufficiently serious that a prison sentence "appears inevitable". The charges carry a maximum seven years imprisonment.

The conviction marks the third successful prosecution for the Serious Fraud Office over the BCCI scandal. Mr Syed Ali Akbar, a former head of BCCI's Treasury division, and Mr Mohammed Baqi, a former head of Attock Oil, a company owned by BCCI, have already been convicted following the SFO's investigation of the collapsed bank.

The jury also acquitted Mr Virani on single charges of conspiracy to defraud, theft and furnishing false information. It was unable to reach verdicts on four other counts of furnishing false information. These charges will not now be proceeded with.

At the heart of the fraud committed by Mr Virani was what the prosecution described as a "you scratch my back and I'll scratch yours" relationship with Mr Mohammed Haque, head of BCCI's property division, who has since fled to Pakistan.

As BCCI's financial troubles deepened in the late 1980's, Mr Virani signed a series of bogus audit confirmations which misled the auditors and inflated the bank's profits.

In return, BCCI gave Mr Virani cash payments totalling £1.6m and played a substantial role in the expansion of Control Securities, the property company Mr Virani headed from 1985 until his arrest.

Britain in brief

Tories in fresh poll disarray

Britain's governing Conservative party was yesterday thrown into fresh disarray just four days before this year's first crucial electoral test, when a senior MP called for nearly a third of the cabinet and the party chairman to be replaced.

The extraordinary public outburst by Mr David Evans, a member of the powerful 1922 committee of Tory backbenchers, undermined party efforts to mount a show of unity ahead of the local elections in four days' time.

His remarks came after Mrs Gillian Shephard, agriculture minister, implied that two out of ten Tory MPs did not fully support Mr John Major and that teams of supporters were already canvassing actively on behalf of two potential leadership candidates.

The local elections and the European elections in June, are expected to have a decisive bearing on whether Mr Major remains prime minister.

As senior cabinet ministers lined up to mark the fifteenth anniversary of unbroken Tory rule by attacking the Labour opposition, Mr Evans called for six cabinet ministers and Sir Norman Fowler, the party chairman, to go.

Speaking of "unease" in the party that Mr Major's closest advisers were "incompetent", he warned there were some 50 Conservative MPs who would not accept the prime minister "at any price".

De Savary denies collapse

Mr Peter de Savary, the flamboyant entrepreneur whose interests range from property to the oil business, yesterday angrily denied reports that his business empire was at risk of collapse.

It emerged over the weekend that some ten days ago Standard Chartered Bank, which has been associated with Mr de Savary for a number of years, has appointed the accountants Robson Rhodes as administrative receivers to Placeton, a property development company that three years ago represented 60% of Mr de Savary's net assets.

"I greatly resent suggestions that de Savary is either wiped out, bankrupt, personally in trouble or no longer able to take a positive role in business", he said. "That would be very misguided."

He said he had personally lost £50m in the collapse, and made it clear he belived that his continuing operations were insulated from the demise of the Placeton operations.

Wool body to levy fee

The International Wool Secretariat, which licences the world's most recognised textile trademark, the Woolmark, is to introduce a £7,000 annual fee for the symbol's use.

The IWS has announced that from May 1 1995 it will charge spinners, weavers and manufacturers for the use of the Woolmark and Woolblendmark – assuring the quality of textiles containing a 60 per cent minimum of new wool.

Britain's wool industry has reacted angrily to the move, the Confederation of British Wool Textiles arguing a flat fee will penalise small producers. But the IWS says a sliding scale of charges for the symbol, used on 300m garments a year, would incur excessive administrative costs.

Car sales growth slows

The growth in new UK car sales has slowed during April from the strong pace set in the first quarter. The industry is unclear, however, whether the market is simply drawing breath after the unexpectedly firm start to the year.

Ford estimates that new car registrations have grown by around 5 per cent year-on-year in April, which would be the slowest rate for several months. In the first three months of the year new car sales at 529,436 were 16.8 per cent higher than in the corresponding period last year.

MANAGEMENT: THE GROWING BUSINESS

Richard Gourlay tells the unlikely tale of how a pair of business partners found each other

Blue blood and the entrepreneur

Sir John Aird raised the cash to buy his first stake in a company by investing his tuition fees for Harvard Business School in the Kansas City wheat market. Ten years later his next investment had an equally improbable beginning. Sir John, who was born to the son of the then Prince of Wales's equerry in the grounds of Windsor Castle, backed Ivan Semenenko, a Ukrainian who spent his first seven years behind barbed wire in a displaced persons camp in Kiel.

The two met through the pages of the Henley-on-Thames-based Venture Capital Report, an agency that brings together business angels like Sir John and entrepreneurs like Semenenko.

A taciturn and true blue-blooded aristocrat, Sir John's background is unlikely to be typical of the 600 angels on VCR's books. But then VCR says there are few common characteristics other than a taste for risk and building businesses.

In the case of Sir John, he had always wanted to work for himself and inherited an interest in engineering from his great grandfather, a famous 19th-century contractor who built the Aswan Dam in Egypt. He applied to Harvard while designing dams in the Sudan when he decided to move into management from pure engineering. After Harvard he returned to the UK flush with his gains from the commodity markets and briefly worked for John Laing, the building company.

This was the springboard for his first investment in a small south London builder – probably the only London repair and maintenance company run by a Harvard MBA.

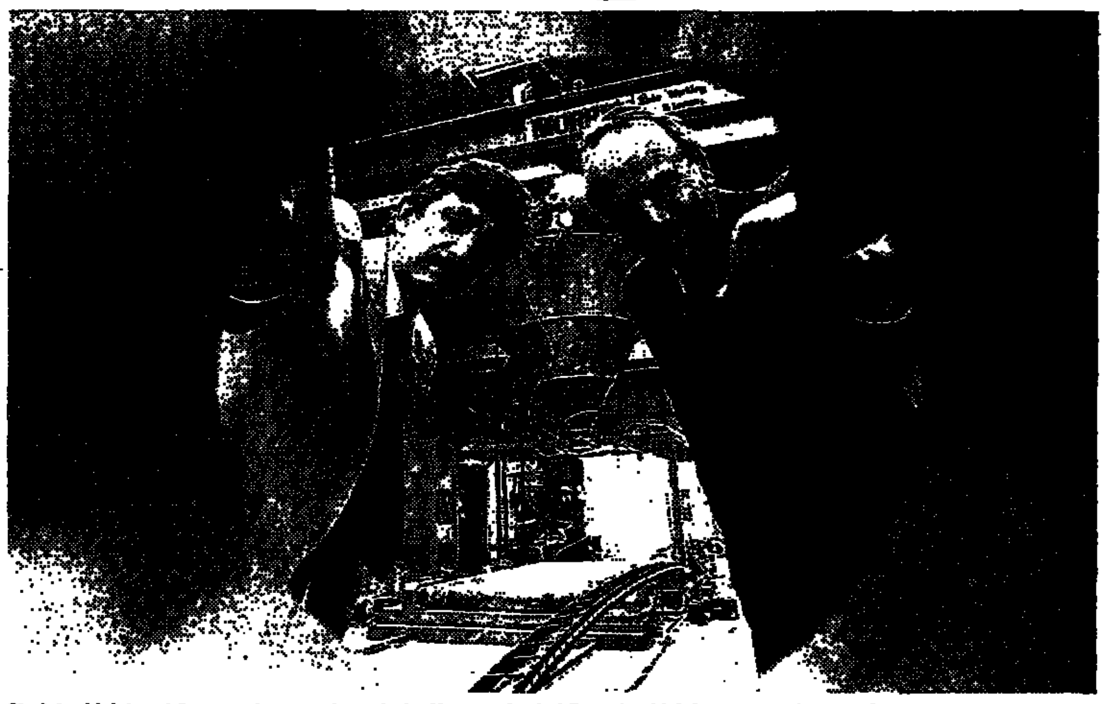
"I saw it as a safe but unspectacular business that would provide steady cash flow," Sir John says. "I have always believed in trying to finance growth out of cash profits."

Sixteen years later in 1986, when Sir John sold the business, sales of £100,000 had grown to £2.5m.

By that time Sir John had spread his wings, investing in Matcon, the company Semenenko had started and was running out of a borrowed room in the Cotswolds town of Chipping Norton.

Semenenko had founded the company in 1980 to develop a novel vibrating cone valve that activated and controlled the discharge of powders and granules from storage silos. The product was on the market but commercially unproven with sales of about £30,000 when Sir John came on the scene in 1981.

He invested £30,000 – a third in equity, the rest as a loan – in return for half the equity. "I didn't realise I needed the cash, though in hindsight I did," says Semenenko.



Sir John (right) and Semenenko: met through the Venture Capital Report, which brings together angels and entrepreneurs

"I did realise I needed some help with business and financial skills."

"He had recognised there needed to be a change of direction," says Sir John. "I enabled the original idea to become a reality."

The investment also allowed Matcon to extend the application to process industries that needed to handle powdered material in batch production.

Sir John says he was a very active investor in the early days, spending a great deal of time installing management systems, setting up the production facilities, establishing the marketing infrastructure, and advising on financial and cash flow planning.

Many observers of informal venture capital investing say this kind of management participation is as valuable to entrepreneurs as the cash, although it irks some founders to have to accept outside advice.

As Matcon grew – it now has annual sales of more than £14m – Sir John has cut the time he devotes to the business as part-time chairman to a few days a week and is again seeking new investment opportunities.

Sir John has a number of self-imposed investment guidelines. He must be impressed by the people he is backing, interested in their product and they must be based close to his home. He tends to avoid pure start-ups.

In addition, he says he likes to leave the managing partner with as much of the equity as he or she can afford to take. "It makes the whole process more worthwhile."

What is most surprising, given the many stories told by indignant entrepreneurs, is that he is not hung up on having a controlling stake. At Matcon, Sir John has 50 per cent. "He was the only one who did not want 51 per cent," says Semenenko.

"I feel having control is irrelevant," Sir John says. "The entrepreneur always effectively has control whatever percentage of the stock is his. An investor can only really exert negative control – you can forbid or prevent but it is difficult to be pro-active without the co-operation of the entrepreneur".

And irrespective of the percentage of shares held, the investor can exert control by specifying that his consent must be sought before any changes in company strategy, capital expenditure, gearing or executive compensation.

Having established his guidelines, Sir John promptly went against two of them. His next investment after Matcon was in a nursing home company called Dalecare. It was a start-up and he did not have an intrinsic interest in running a business looking after elderly people. But he liked the founder and invested £100,000 anyway, taking the deal to 3i, the UK's biggest venture capital supplier.

Three years later and after three homes had been successfully developed, Sir John sold to Associated Nursing Services, the then quoted group.

Since then he has invested, also via VCR, in a London and Shanghai-based company called Chance China that represents western companies in China and Chinese companies in the west. Some two thirds of the £200,000 he paid for 50 per cent of the equity is in interest-bearing loan notes which have first call on any profits.

And then there is the one that went wrong. "The one bad one should have been the best – it had everything going for it," he says. The company, Mogul Leisure Products, made ski-training machines which had been pre-sold to Thomas Cook, the tour operator, which was offering its clients lessons if they bought a holiday.

"I was interested in the product, the company was on my door-step, the sales were assured," says Sir John. He could even make them using spare capacity at the Matcon factory. What neither he nor the entrepreneur had spotted was that the business plan made no allowance for servicing and teaching Thomas Cook staff how to use the product. All the profits were consumed by the cost of supporting the customer and Sir John closed the company.

Whether typical of other angels – a term he dislikes because he is motivated almost entirely by profit – Sir John sets clear investment targets. "I need a better return on capital than in the City," he says. "I am very depressed by the performance of so-called professional investment managers and am shocked by the way they regard matching the index as a standard of acceptable investment performance," he says.

While he has sold companies in which he successfully invested, Sir John does not actively seek investments and at Matcon is happy to let the managing partner develop the business. "I certainly see a substantial regular dividend as just as valid a return as a sale," he says. Too many good deals are not backed because the exit route is not clear.

For those deals that go right, the dividends can be substantial. If he invests £150,000, one third as equity, he would expect to receive an annual dividend equal to 100 per cent of that equity after three or four years. There again, investing in a bad business plan or the wrong person and the loans quickly become equity and can evaporate at an alarming rate. Just as fast as his Harvard fees could have disappeared in the Kansas City wheat market.

Spotlight falls on invisibles contribution

Raffo, a designer for the packaging industry, has just won its first significant export order – a six-figure contract with Snapper of the US for a new design of bottle cap.

The Chester-based group already spends half its marketing budget in continental Europe and expects to have raised orders from outside the UK to more than 50 per cent of sales in 1996.

Raffo is part of an army of small and medium-sized companies exporting a huge variety of services from the UK – published and recorded music, education, management consultancy, design – all contributing to job creation and the invisible trade surplus.

Anecdote suggests these small exporters are increasingly successful. More than 20 per cent of the companies receiving the Queen's Awards for Exports last month were selling services abroad. Many were smaller companies. But economists have only the vaguest idea of how important smaller exporters of services are to the economy.

The UK's invisible export effort is dominated by the City of London which earned a net £18bn at the last count in 1992 from fees, commissions, interest, property returns and dividends.

"Clearly, the City is very important but it is by no means the whole story," says Jan Hall, chairman of the small firms committee of the British Overseas Trade Board which is looking at how DTI export initiatives can be tailored for service companies.

One attempt to identify the invisibles contribution of smaller companies has been made by Robert Pringle, of consultants Graham Bannock & Partners.

Pringle starts with official Central Statistical Office estimates which suggest that 39 per cent of invisible earnings from consultancy (management, engineering, surveying, architecture, advertising and property consultancy) comes from companies with turnover of less than £2.5m.

Pringle then makes the somewhat heroic assumption that the same pattern is repeated across all small business, education and leisure service companies. He concludes that these small service companies probably produced invisible earnings of about £5bn in 1992.

To put this in perspective, Pringle says the City's real service exports were £4.3bn – a figure he arrives at after deducting interest, property income and overseas dividends which he says are not derived from true services. The analysis is crude, because of the lack of hard data, but makes a valid point.

"In the past you have had a picture of invisible earnings dominated by the City," says Pringle. "The techniques of trade promotion should take into account this crucial sector."

At the moment almost none of the Department of Trade and Industry's export promotion activities specifically targets service companies. But there are signs that it is considering such a focus to be worthwhile. The DTI is trying to recruit executives with exporting experience from the private-sector service industry to promote invisible exports.

Officials at the DTI are also responding. April 25 saw 21 DTI country desk officers visiting a new grouping of design consultants, the British Design Initiative, whose members demonstrated how they were trying to sell British design abroad.

Maxine Horn, managing director of the BDI, says her company represents a range of designers, in product, packaging, corporate identity and retail interiors. The group was set up because no one else helped promote the export of design.

Pringle says any further growth in the invisible trade surplus is unlikely to be led by the City of London but by Britain's smaller companies. This is debatable. But there is a strong case for the DTI and trade organisations to improve their support for the many companies already exporting their services.

RG

Mark Suzman looks at the proliferation of carriers servicing routes to South Africa

A monopoly dismantled

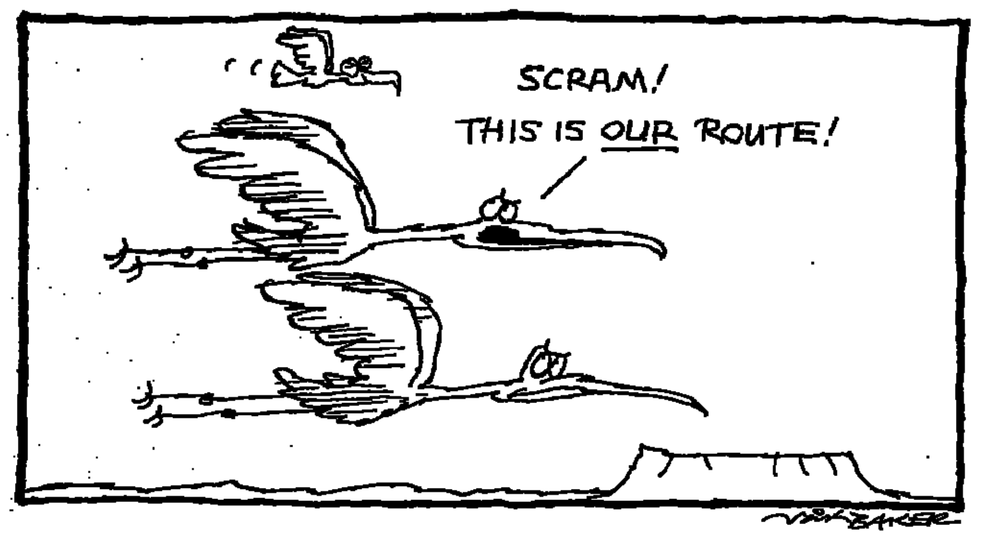
As South Africa prepares for its first freely elected government, and memories of trade sanctions recede, growing numbers of business travellers are boarding 11-hour flights from Europe to Johannesburg.

This is of great satisfaction to airlines flying the route. The Johannesburg-London air corridor is one of the most lucrative in the world.

It is less pleasing to travellers; complaints about the cost of flying to Johannesburg are common. But while the current R9,000 (£1,670) fare for a business class return ticket from London to Johannesburg is not cheap, in real terms it used to be lot more expensive.

Until a few years ago, air travel both to and in South Africa was a closed shop. South African Airways ran a virtual monopoly on domestic flights and, with a few selected international partners, an effective cartel on overseas routes.

Three years ago, however, the government relaxed the rules on international carriers, allowing for price competition and new entrants.



Most fares have dropped steeply, but not so precipitously as to threaten route profitability. Yet it remains slightly more expensive than some comparable longer routes, such as London to Sydney.

But shopping around for lower fares can pay off, as some discount centres offer business fares as low as R5,428.

Better deals are also available through airlines such as Sabena and Air France, which often offer slightly more reasonable fares with free transfers to London. Cheapest of all are carriers such as Egyptair and Kenya Airways, although with the inconveniences of stopovers in Cairo or Nairobi.

One future option will probably be Mr Richard Branson's Virgin Airways, which has been trying for several years to get a foothold in the market.

Once in Johannesburg, it is possible to take direct flights to big cities worldwide. The number of international airlines flying to and from South Africa has risen to 58 since deregulation. The rapid increase in the number of carriers is most striking in traffic with Asia, which is now serviced by four airlines in addition to SAA.

Internally, the menu of flight choices is limited. A cosy SAA monopoly, during which it routinely raised fares about 12 per cent a year, was broken up with the arrival of competitor Flitestar in 1991. With some assistance from the government, Flitestar eventually carved out a 30 per cent market share, largely from business travellers.

To the dismay of the flying public, however, this experiment in competition came to a sudden halt three weeks ago when Flitestar folded.

Virgin still holding out

Business travellers have been promised greater competition on the London-Johannesburg route for almost three years. Mr Richard Branson's UK carrier, Virgin Atlantic, applied to compete with the present carriers in 1991. Since then he has launched a service to Hong Kong and next month starts flying to San Francisco, while Johannesburg remains just an intention, writes Daniel Green.

The London-Johannesburg route is precisely the kind of business over which Virgin likes to fight. As with Hong Kong and San Francisco, there have been two main carriers, British Airways and South African Airways, each making a lot of money. The unrestricted business class return fare can be £2,639.

Virgin blames its inability to get the suitable slots at Heathrow for the delay in starting the services. It also acknowledges that uncertainty over change in South Africa has made other routes a priority.

Likely weather in the leading business centres

	Tue	Wed	Thu	Fri	Sat
Tokyo	22	23	19	19	22
Hong Kong	30	27	26	26	28
London	17	14	15	19	21
Frankfurt	25	18	17	20	21
New York	20	18	13	15	19
L Angeles	20	23	19	21	23
Milan	24	24	22	22	23
Paris	24	17	17	19	21
Zurich	24	16	13	16	18

Maximum temperatures in Celsius
Information supplied by Meteo Consult of the Netherlands

French skies are opened up

The European Commission's ruling last Wednesday that France must allow competition on several routes from Orly airport to the south of France raises the prospect of more convenient, and cheaper, travel to French destinations. The Commission said that France must immediately open a route from London Heathrow to Orly and must allow TAT European airlines – 49 per cent owned by British Airways – to compete with Air Inter, Air France's domestic subsidiary, on the Orly-Toulouse and Orly-Marseilles routes after a six month grace period.

British Airways hopes to start services between Heathrow and Orly in June. Since most domestic French flights operate from Orly, it would provide access to a valuable hub for French holiday and business destinations.

UK is best

The UK has the best facilities for business travellers of any European country and Italy has the worst, according to a poll carried out by Mori for Thomas Cook.

The poll of purchasers of travel services in 281 companies in eight European countries found 13 per cent thought the UK had the best facilities, followed by Germany on 10 per cent and Switzerland on 6 per cent. Nine per cent, mentioned Italy as having the worst facilities.

Mailbox

In May AT&T launches what it claims is the first international mailbox service for travellers wanting a 24-hour base for receiving and sending messages and faxes wherever they may be.

The US operator's new service, called WorldPlus, gives subscribers a mailbox and service centre accessed via touch-tone or voice-response.

In addition to storing and replaying messages, WorldPlus allows users to reply to the number from which a message has been received at the flick of a button, and to send multiple messages and faxes as instructed. Subscribers pay £50 a year standing charge, then pay for services on a usage basis. The charge for messages and faxes is flat-rate.

Shuttling into Kennedy

Daniel Green on the increase of JFK/Heathrow flights

From this summer, British Airways will no longer offer the most frequent service between London's Heathrow and New York's John F Kennedy airports.

Within a month, American Airlines is to increase its daily flights on the route from four to six, overtaking BA's five. Of those BA flights, only three are by standard aircraft; the others are £5,000-a-seat Concorde trips.

And within two weeks of American's move, its great rival, United Airlines, will increase its daily Heathrow-JFK flights from three to four.

Other significant carriers on the route are Virgin Atlantic, with a twice-daily service, and Kuwait Airways and Air India, with one each.

That makes 19 flights a day between the two airports. Moreover, BA and Virgin have daily flights to Newark airport, closer to Manhattan than JFK but in the neighbouring state of New Jersey.

The elevation of the Heathrow-New York route to the status of business shuttle is a result mainly of the economic recovery, say American and United.

Frequency of service appeals to business travellers more than to tourists. Business executives are more likely to fly on an airline that has a lot of flights: if the meeting goes on an extra half hour, the executive knows there will be another flight home soon.

Tony Andrews

Heathrow: the frequency of flights to New York means the route has been elevated to the status of business shuttle

For United, the decision to emphasise frequency of service, rather than size of aircraft, has led them to employ one of the smallest aircraft available for such a journey. "The route consists largely of point-to-point traffic and we decided that the best method was to use the smaller Boeing 767-200s, flying more frequently," according to a United spokesman.

United's early flight from London – at 0755 the first of the day to JFK – is especially popular among business travellers, and has tempted American to introduce its own early flight at 0830. The business traveller is an extraordinarily lucrative customer to secure. The normal business class return fare between London and New York is about £2,200, almost 10 times the cheapest Apex economy fare.

Because of the congestion at Heathrow, an airline cannot easily secure additional take-off slots. American Airlines is, therefore, sacrificing services to tourist-type destinations, such as Los Angeles and Miami, to increase its Heathrow-JFK frequency.

American is, however, not increasing its daily flights from other European cities such as Paris, Brussels, Zurich – where economic recovery is yet to make itself strongly felt.

BA says it is unworried by the increasing competition on flights to JFK. It still considers the route "blue chip". But BA says that, since it took a stake in USAir, it has been keen to link transatlantic passengers with USAir's huge domestic network. That means it is adding flights to large USAir hub cities, such as Pittsburgh, Philadelphia, Charlotte, and Baltimore.

BA can also take some comfort from the fact that the rise in frequencies does not mean quite as sharp an increase in the number of available seats. BA flies the route with 380-seat Boeing 747s. Most of the US-owned aircraft, on the other hand, are the smaller Boeing 767s, which carry only between between 164 and 214 passengers, or McDonnell Douglas MD-11s, carrying 271 people. Moreover, passengers in a hurry are also likely to factor into their choice the fact that the 767s take about 20 minutes longer than the MD-11s and 747s.

LEGAL NOTICES

IN THE HIGH COURT OF THE REPUBLIC OF SINGAPORE — ORIGINATING PETITION NO 26 OF 1994

IN THE MATTER OF
RMCA REINSURANCE LIMITED
-and-
IN THE MATTER OF SECTIONS 210 AND 211 OF THE SINGAPORE COMPANIES ACT (CHAPTER 50. 1990 REVISED EDITION)
-and-
IN THE MATTER OF THE SINGAPORE COMPANIES ACT
-and-

IN THE HIGH COURT OF JUSTICE OF ENGLAND AND WALES, CHANCERY DIVISION — NO 008941 OF 1993

In the matter of
RMCA REINSURANCE LIMITED
-and-
IN THE MATTER OF THE COMPANIES ACT 1985

At meetings held on 10 December 1993 in Singapore and on 14 December 1993 in London the Scheme of Arrangement ("the Scheme") between RMCA Reinsurance Limited (hereinafter called "the Company") and its Scheme Creditors (as defined in the Scheme) was approved by the Scheme Creditors.

On 29 March 1994 the High Court of the Republic of Singapore and on 22 April 1994 the High Court of Justice of England and Wales (hereinafter called "the Courts") sanctioned the Scheme as approved by the Scheme Creditors.

On 25 and 26 April 1994 the Orders made in the Courts sanctioning the Scheme were delivered to the Registrars of Companies in Singapore and England and Wales respectively.

The Effective Date of the Scheme is 26 April 1994.

Philip John Singer and Christopher John Hughes partners of Coopers & Lybrand were appointed Joint Scheme Administrators on 26 April 1994.

Claims against the Company under contracts of insurance (or otherwise) should be submitted to the Joint Scheme Administrators at the following address:

RMCA Reinsurance Ltd.
137 Cecil Street.
#13-00 ICS Building.
Singapore 0106.

Dated this 27 day of April 1994.

IN THE HIGH COURT OF THE REPUBLIC OF SINGAPORE — ORIGINATING PETITION 27 OF 1994

IN THE MATTER OF
ICS REINSURANCE PRIVATE LIMITED
-and-
IN THE MATTER OF SECTIONS 210 AND 211 OF THE SINGAPORE COMPANIES ACT (CHAPTER 50. 1990 REVISED EDITION)
-and-
IN THE MATTER OF THE SINGAPORE COMPANIES ACT
-and-

IN THE HIGH COURT OF JUSTICE OF ENGLAND AND WALES, CHANCERY DIVISION — NO 008942 OF 1993

IN THE MATTER OF
ICS REINSURANCE PRIVATE LIMITED
-and-
IN THE MATTER OF THE COMPANIES ACT 1985

At meetings held on 10 December 1993 in Singapore and on 14 December 1993 in London the Scheme of Arrangement ("the Scheme") between ICS Reinsurance Private Limited (hereinafter called "the Company") and its Scheme Creditors (as defined in the Scheme) was approved by the Scheme Creditors.

On 29 March 1994 the High Court of the Republic of Singapore and on 22 April 1994 the High Court of Justice of England and Wales (hereinafter called "the Courts") sanctioned the Scheme as approved by the Scheme Creditors.

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ICS Reinsurance (Pte) Ltd.
137 Cecil Street,
13-00 ICS Building.
Singapore 0106.

Dated this 27 day of April 1994.

THE People page

Gambling with the big prize

David White examines the record of Banco Santander's **Emilio Botín**, the victor in the contest for control of Banesto

Emilio Botín almost missed the boat. On the night the chairman of Banco Santander won the bidding to take control of Banco Español de Credito (Banesto) from Spain's "bank hospital", the Deposit Guarantee Fund, he forgot to sign the crucial bid document. The announcement of the verdict on Spain's biggest takeover was held up by an agonising extra hour.

The runner-up in the auction, Banco Bilbao Vizcaya, considered using the omission to challenge the decision on technical grounds.

It had reason to be peeved.

Not only had it been thwarted in its long-time ambition to become the dominant force in Spanish banking. It also faced the prospect of losing high-flying executives, on temporary loan to Banesto during the rescue operation, who would now be poached by the new owner.

Overnight the 59-year-old Botín has become Spain's top banker. The combined group, according to its own calculations, ranks number 22 in Europe and 45 in the world in total assets.

But Banco Santander's $2bn investment in Banesto is a big bite. With a branch network two and a half times as big as Banco Santander's, Banesto was for many years the country's biggest financial institution, the archetypal establishment bank of the Franco regime, remaining staid, stuffy and impenetrable for years afterwards.

In its most recent phase, with a jaunty new logo and an aggressive lending policy, it got itself into deep trouble. A $3.7bn rescue operation was required to put the mammoth back on its feet. While Banco Santander has already divested almost all its industrial shareholdings, Banesto still has a mish-mash of interests to be got rid of before it becomes an orthodox commercial bank.

For Botín, the acquisition marks a change of approach. At the end of the 1980s, while other leading Spanish banks sought mergers as the most obvious means of bringing themselves more into line with the dimensions of big banks in other European countries, Botín stood aloof, preferring to build up Santander's own business.

Far from being a buyer, he sold off smaller "second brand" banks belonging to the group. But he is believed to have had eyes on Banesto for some time. And he clearly saw the auction of the restructured bank as a chance he could not refuse.

"We have spent years storing up capital to be able to take advantage of opportunities, peseta by peseta, patiently, prudently" - which is how be believe things should be done in banking.

In Spanish, there are two words for banker. A "bancario" is someone who works in banking. A "banquero" is someone who runs a bank. Botín – full name Emilio Botín-Sanz de Sautuola y Garcia de los Rios – was born a "banquero".

The family pedigree is unique in Spanish business. His grandfather Emilio Botín was the first permanent chairman of the bank, which had been set up in Santander in the 1850s to finance transatlantic trade flowing through the northern Spanish port. His father, also Emilio Botín, who took over when it was still very much a provincial bank, oversaw its expansion further afield during a 36-year reign as chairman.

The statue to him in the bank's headquarters on the Santander waterfront was erected by grateful shareholders long before he was ready to leave the job. Until his death last year, the father was still referred to as Don Emilio. The new chairman continued to be known as "the son".

After studying law and economics at Valladolid and the Jesuit Deusto university in Bilbao, he joined the bank at 24, working at a local branch. But two years later he was already a director. When his father finally made way for him in 1986 he set about strengthening the bank's balance sheet, bolstering its provisions against loan risks – especially in Latin America – and widening its customer base.

A pioneer in offering interest-bearing "super-accounts", Banco Santander moved up from fifth or sixth place among the country's private commercial banks to number three.

It became a shareholder of Royal Bank of Scotland and First Fidelity in the US and built up an international reputation for innovation – in fields such as telephone banking – and the dynamism of its merchant banking arm, recently renamed Santander Investment.

So why this move? The way it was going, in Botín's view, the group would soon have been predominantly geared to foreign business – already accounting for more than 40 per cent of its profits – and investment banking. It needed to redress the balance by increasing its weight in the Spanish market. Banesto, in many backwoods areas of Spain the only bank in town, would do the trick.

Some people in Banco Santander harbour private qualms about the challenge the group has taken on, and about the price it is paying. But Botín claims the price is "absolutely reasonable" and shrugs off the negative impact the deal has had on Banco Santander's own shares.

In a bank otherwise noted for its transparency, the degree of family control is a mystery. Little is known about the full extent of the family fortune. According to its annual report, the combined shareholdings of the family foundation, which is the largest institutional shareholder, and Botíns on the board – including brother Jaime, who heads the associated Bankinter – come to less than 3.5 per cent. But nobody has any doubt about who runs the bank.

Two of Botín's six children are directors – Ana Patricia, 33, and the next Emilio Botín, 30. Either could be in line for the succession.

The family's discretion is legendary. Botín's wife is a concert pianist, Paloma O'Shea, but otherwise little is known about his private life except that he travels a lot and plays golf when he finds time. According to one person in the bank's inner circle, "nobody gets close to Botín".

In Santander neither the family nor the bank needs to advertise their presence; it is pervasive. However, if one were to ask in the world at large who was Santander's most famous living son, the answer might not be Botín but the golfer Severiano Ballesteros. But then Botín is Ballesteros' father-in-law.

When he was promoted to the chairmanship of the bank 7½ years ago, with a solid record as managing director but still very much in the shadow of Don Emilio the father, other bankers in Madrid reserved their judgment on how he would prove himself in the position. "Now they know," said a colleague at the bank last week.

Personae

Bergougnoux to run a railway

Having helped restore financial health to Eléctricité de France, the state energy utility, Jean Bergougnoux is to take up a similarly formidable challenge at SNCF, the French national railway system, writes John Ridding.

Jacques Fournier, SNCF's current chairman, will step down after the opening of the Channel Tunnel, at the age of 65. The government has picked Bergougnoux, managing director of EDF since 1987, to step into his shoes.

Bergougnoux, 54, is an engineering graduate of the prestigious Ecole Polytechnique. He has built his career in the public sector and in particular at EDF, which he joined in 1970, earning a reputation as a skilful manager in both labour relations and financial affairs.

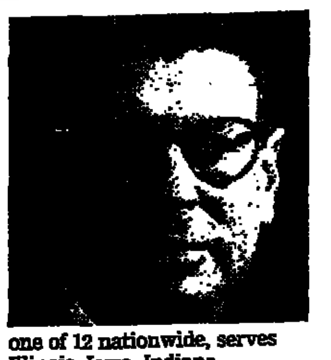
Number two to Gilles Ménage, chairman of EDF, Bergougnoux has for the past seven years been responsible for the day-to-day running of the company. He played a significant role in returning the group to profit at the end of the 1980s and reducing debt which, at FFr213bn in 1984, was equivalent to 27 per cent of sales.

His new task is equally daunting. The principal challenge facing Bergougnoux lies in the financial situation of the railway company; last year it suffered losses of FFr7.71bn and a rise in its debts to more than FFr150bn.

The new SNCF head must also try to win back passengers disenchanted by a series of marketing and technical blunders. Socrates, the computerised reservation system, was afflicted by technical problems following its introduction at the beginning of last year and contributed, along with recession, to an 8 per cent fall in passenger traffic.

Labour relations at SNCF are also delicate. Fournier's attempts to increase efficiency by establishing separate divisions and more decentralised management have yielded positive results but have also drawn strikes and stoppages by workers.

Happy time for Keehn to step down



Silas Keehn (right), tall, and much more youthful looking than his 64 years, is stepping down as President of Chicago's Federal Reserve Bank with the same kind of statesmanship that characterises the 13 years he has spent ministering to the financial health of America's heartland, writes Laurie Morse. "This seems a very good time for a transition," Keehn says. "Happily, things are going right. Bank reserves are adequate (after a difficult period in 1990 and 1991) and the economy is doing well, particularly in the midwest."

The Chicago Fed's voice in US monetary policy, in the form of a vote on the Federal Open Market Committee, rotates every other year with the Cleveland Reserve Bank. Thus, Keehn says, if his successor is appointed this summer, the new appointee will have time to get to know the system before Chicago gets the vote again in 1995.

With Keehn's departure, the Fed will lose a monetary policy moderate. While circumspect in his public pronouncements, Keehn has a reputation for keeping a balanced view of the trade-offs between inflation and economic growth. Having spent 23 years at Pittsburgh's Mellon Bank before joining the Fed, Keehn has a banker's view of policy.

The Chicago Reserve Bank, one of 12 nationwide, serves Illinois, Iowa, Indiana, Michigan, and Wisconsin, an area that encompasses an unusual mix of agriculture, manufacturing, and financial services.

Keehn's successor will be appointed by the board of directors of the Chicago Federal Reserve Bank, which has organised a search committee. Although the search is expected to take several months, James Annable, chief economist at First National Bank of Chicago, is thought to top the list of potential candidates.

Pannonplast's Feher ahead of the pack

Eastern Europe's communist economies produced few great managers, writes Nicholas Denton. Nor, despite official lip service to sexual equality, did the former Soviet bloc allow many women to rise to the top in business. But there are exceptions, and Erzsebet Feher, managing director of Hungarian plastics group Pannonplast, is one.

Under her leadership, Pannonplast was an east bloc pioneer in the 1980s; it took up World Bank credits and set up joint ventures with western manufacturers. And this week the company completes its privatisation: Ft1.83bn ($18m) worth of Pannonplast shares are on offer to foreign institutional investors and the Hungarian public. "She's always been ahead of the pack," says an investment banker who has worked closely with her.

While westerners often make a hobby of complaining about Hungarian managers, they swoon before Feher. Advisers break off from moaning about the tedium and uselessness of meetings in Hungary to marvel about the amount of ground they can cover with Feher.

Feher finds the acclaim all rather embarrassing. A genuinely modest person, she is far happier talking about her company than herself. Pressed to reveal what makes her tick, Feher reluctantly ventures her sporting background. Now 58, she played ping-pong for Hungary's national youth team and says it may have inculcated discipline and a fighting spirit.

She is less proud of her gender. Indeed, Feher seems to agree with Hungarian male attitudes towards businesswomen; they can be petty, she says, and poor at seeing the big picture. But it only takes a meeting or two, Feher says, before male negotiating partners see that she is not like that.

Paris goes Dutch

William Packer visits an exhibition of 20th century art from the Low Countries

La beauté exacte is hardly an exact title for what is yet a fascinating exhibition full of beautiful and exciting things. Its subtitle, *from Van Gogh to Mondrian*, gives something rather more of its scope, but there again the inference is misleading, partial, imprecise.

Van Gogh indeed is there, but only as a presiding and iconic figure, represented solely in a self-portrait, in a grey hat, of 1887. And in a show that is one of a pair specifically addressed to the art of the Low Countries in the 20th century, Van Gogh's presence itself is somewhat equivocal.

Certainly there are formal connections to the other artists to be made, if only in the general foreshadowing of expressionism – the clarity and intensity of the colour, the staccato energy of the brushstrokes, with each mark a distinct beat in the total statement. There too is the sheer symbolic force of the image itself, personal and tragic as we know with hindsight its implications to be. Yet Van Gogh spent the later and infinitely more productive half of his short career abroad, and was dead by 1890. The position he holds in relation to French painting of the 1880s is obvious and unquestioned. Quite how well his work was known in Holland within the first few years of his death is another question altogether.

> 'It is Mondrian who remains the central figure and hero of the show'

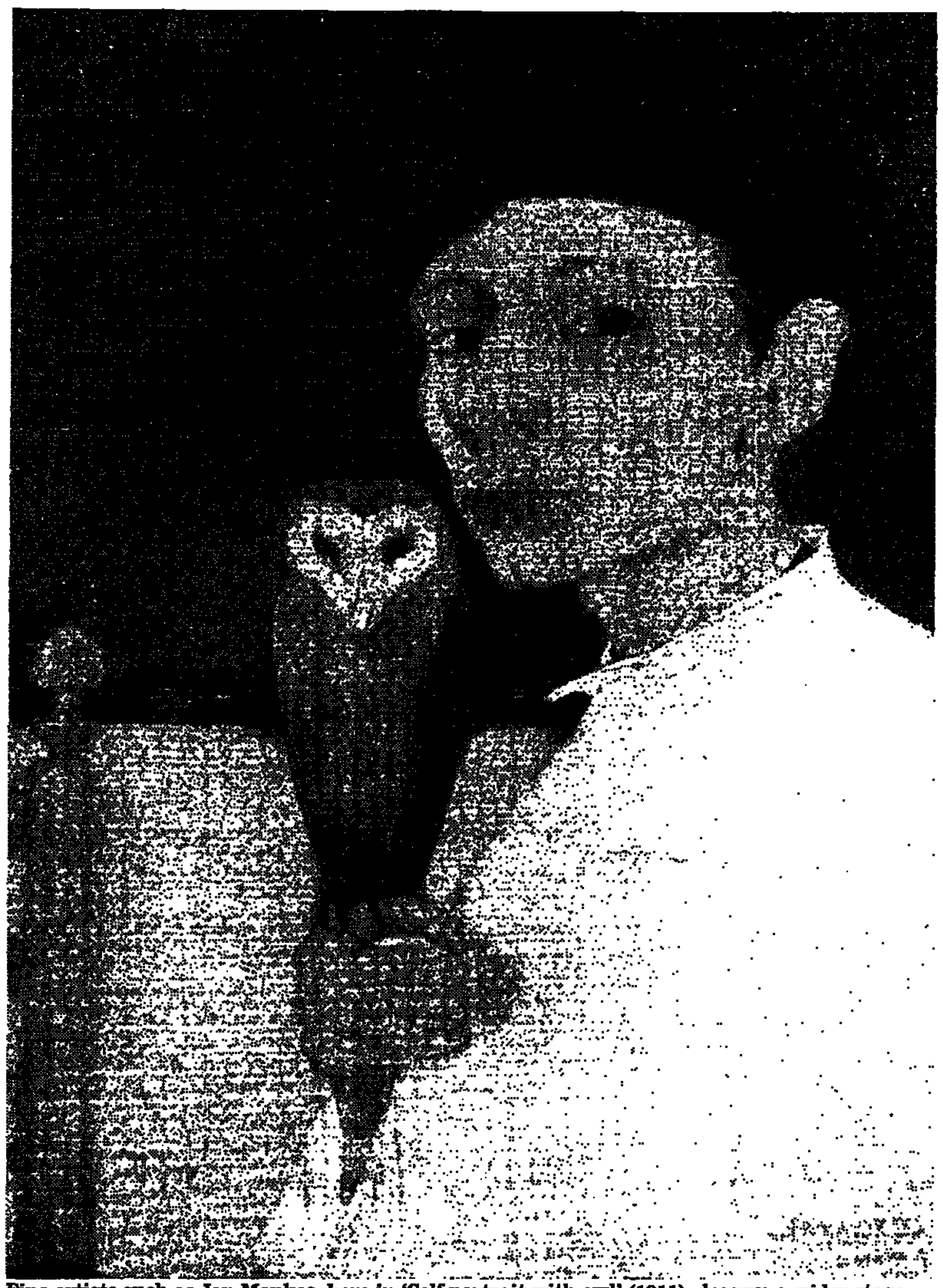
The real starting point of the exhibition is the pointillist yet moodily symbolic landscape of 1889 by the lesser-known painter, Jan Toorop, a view across the canals and low fields of the Waterland at sunset, with shadowy figures in a boat in the foreground. It is a work that embraces all that the exhibition as a whole will offer: on the one hand, the formal simplicity and rigour which Mondrian in particular will take to the limits of pure and minimal abstraction; on the other, the symbolist and emotional content, shades of the workers in the fields of Millet and Van Gogh, which will lead to the heightened realism of the Dutch figurative painters of the early 20th century whom we come to later. It is this duality, given the apparent precise simplicity of the exhibition's title, that comes as the surprise.

That said, it is Mondrian who remains the central figure and hero of the show. While Toorop veers sharply off at a tangent into bizarre *fin-de-siècle* graphic symbolism, Mondrian stays with the landscape of sea and dune, tree and church tower, that grows ever more simple and rarefied while losing nothing of its mystical, symbolic charge. Such mystical significance remained as the informing justification of all he did, no matter that by the mid-1910s, under the obscure philosophisings of neo-plasticity, his painting had moved away from anything even remotely representational in its reference – nothing more than lines and grids and squares of colour. The magnificent sequence of paintings and drawings in the first main room, that takes us from the trees and canals of around 1900 through the sea and dunescapes to the fragmented, quasi-cubist trees and towers of around 1913, is alone worth the visit. With the rational, abstract developments of his next 30 years to follow in the later rooms, set into the context of the work of the *de Stijl* group in general and such as Bart van der Leck and Theo van Doesburg in particular, the show is irresistible.

But between *de Stijl* constructivism in its origins and later pomp comes a quite separate body of work, and with it the show's greatest surprise. For here, as complement and counterpoint to Mondrian and his associates, are those Dutch realists of the 1920s and 1930s, colleagues at a remove of the Neue Sachlikeit in Germany in particular, and realist contemporaries everywhere, with their peculiarly heightened and febrile, all but surreal, clarity of image, and their uncompromising honesty. We are back at once to Van Gogh in his self-image at the show's beginning, and it is hardly by chance that each painter of this later group is represented by self-portrait after self-portrait, rows of them.

All are remarkable artists, and their still comparative obscurity merely confirms the rule that even in our supposedly international age, national schools of art, not just in England but everywhere, remain too much the province of a merely national, even parochial interest. Dick Ket, Pyke Koch and Jan Mankes are fine painters by any measure, their work beautifully made, intense in feeling and properly of its time. They are long overdue their place on a wider critical stage. But most remarkable of them all is Charley Toorop, daughter of Jan Toorop and an English mother, Annie Hall. Her sequence of self-portraits, some of monumental scale and as strong and simple in the statement as in the vision, surely mark her out as one of the most important, albeit hardly rated, female artists of her time.

'La beauté exacte: de van Gogh à Mondrian'. Musée d'Art moderne de la Ville de Paris, 11 avenue du Président-Wilson, Paris 16, until July 17.



Fine artists such as Jan Mankes, here in 'Self-portrait with owl' (1911), deserve a wider stage

Concerts

Twenty years of Capricorn

The Capricorn ensemble has celebrated the end of its second decade with three concerts in the Purcell Room and in St. Giles, Cripplegate, pardonably recalling some of its most successful commissions. This excellent team has been assiduous in seeking out new, seriously original music, placing fresh commissions in promising hands, and meanwhile cultivating older styles well enough to fill historical gaps in the CD repertoire with distinction and profit. In short, it is a Good Thing with a solid track-record, though the live audiences last week were keen but small.

The label "Capricorn" names a fluid personnel. Some of the performers we heard on Tuesday and Saturday were too young to have been in at the start. For its adventurous repertoire, anyhow, Capricorn has to field such variously constituted little bands that it has only a few "core" members to fix its identity. Perhaps the longest-serving souls, and certainly the dominant musicians, are the clarinet, cello and piano (Anthony Lamb, Timothy Mason, Catherine Edwards) – three-quarters of what Messiaen required for his *Quatuor pour la fin du temps*, which prompted the formation of Capricorn in the first place.

Among the Capricorn commissions here, going back to 1985, were Edison Denisov's winds-and-strings Sextet, coolly and intricately contrapuntal in strictly equal voices, none standing out; and James Ellis's quizzical, picturesque *Mountain Steps*, of which we heard just three-fifths – it has been "fundamentally recomposed" but not finished yet. For *The Nervous Saurian*, inspired by a Danish science-fiction novel about wise lizards, Anders Nordentoft made imaginative use of the same trio – the "core" players – as Nigel Osborne's new *Sarajevo*, a heartfelt letter of condolence which sticks to time-honoured modes of registering grave feeling.

Neither of those had the kick of Gerald Barry's rumbustious Piano Quartet, which Capricorn premiered in 1992. "Wholly concerned with melody," Barry claims; in fact it is a furious confection of slightly out-of-synch folk music echoes, presumably Irish, insistently lively, with a forceful surge. By comparison, Birtwistle's Clarinet Quintet sounded scrupulously worked out but staid. Magnus Lindberg's recent Quintet charged the same ensemble with continuous palpable energy, brilliantly engineered and calculated as is his wont. The unabashed star is the clarinet, manically fluent in generating fresh ideas, leaving the strings to pick up the pieces and reassemble them elegantly.

Each Capricorn concert set itself a high standard by starting with one of Elliott Carter's recent *hommages* to friends and colleagues. I heard the 1984 *Riconoscenza* for violin (Rebecca Hirsch) and the 1990 *Con leggerezza pensosa* for the "core" trio here, and marvelled again at the lucid density Carter achieves for every passing event. Within a few minutes we get a whole, cogent epic, each laconic episode stamped with speaking character such as only a past-master can contrive.

David Murray

Native Czech

While Prague's two opera companies show waning enthusiasm for the native repertoire, there is still plenty of Czech music to be heard in the city's lovely concert halls, much of it little known in the West. Two recent programmes found the Czech Philharmonic Orchestra tackling works by Vorisek and Novak, and the Prague Symphony accompanying a mass by Ilja Hurnik (b1922). Both were well attended and warmly received by local concert-goers, suggesting that the tourist market does not yet have a monopoly on all cultural life in the Czech capital.

The most rewarding discovery was Hurnik's *Missa Vinea Crucis*, premiered two years ago with organ accompaniment. Hurnik's music is well established in the Czech Republic and deserves a wider reputation. The Mass is a tonal work, clean-textured and full of subtle harmonic modulations, drawing its inspiration from Hurnik's north Moravian folk roots and the Janacek-Martinu tradition, rather than the glum postwar school of Czech modernism.

The opening Kyrie, a pure pastoral air, sets an optimistic tone. The Gloria, Credo and Sanctus include spiky interjections for chamber orchestra (no brass), while the Agnus captures some of the other-worldly atmosphere of Messiaen's *L'Ascension*. The final Deo gratias has a lively rhythmic pull. The 80-strong Permonik Children's Chorus, which commissioned the work, sang without blemish, but could have added more bite. This luxurious opener to the Prague Symphony Orchestra's concert in the Smetana Hall was followed by an inspired account of Shostakovich's First Cello Concerto by Frans Helmerson and Debussy's *La Mer*. Martin Turnovsky conducted all three with idiomatic flair.

Hurnik was one of the many composition pupils of Vitezslav Novak (1870-1949), whose own music has been well represented in the Czech Philharmonic's programmes this season. I heard the song cycle *Valley of the New Kingdom* for baritone and orchestra (1903), based on a text by Antonin Sova. It is infused with impressionist touches, late Romantic colours and lyrical poetry, and it could have made a kind of Czech *Sea Pictures*, if the four songs had not been so short – a mere 13 minutes. The music found a heroic upper extension in Ivan Kusnjer's lusty voice. Oliver Dohnanyi, making his Czech Philharmonic debut in the Dvorak Hall, conducted a robust account of Vorisek's D major Symphony, and ended the programme with Dvorak's *Symphonic Variations*, infused with all the tonal bloom and beauty for which Czech orchestras are renowned.

Andrew Clark

New plays of lesbian love

Karen Fricker reviews the Humana festival in Louisville

The American obsession with "otherness" was on prominent display at the recent 18th annual Humana Festival of New American Plays. Nearly all the festival's 10 plays, presented at the Actors' Theatre of Louisville, spun off of some socio-political issue – lesbian and gay issues being the most common concern. A tone of politically correct sanctimony was averted by the high overall artistic standards. While the festival lacked an outstanding success – Tony Kushner's *Slavs!*, expected to fill that bill, proved a disappointment – the general quality of the plays and the adventurousness of the programming were an advance on previous festivals.

Slavs! (Thinking about the Long-standing Problems of Virtue and Happiness), is Kushner's first play since the international success of his Pulitzer Prize-winning epic *Angels in America*. The new play partly comprises scenes cut from *Perestroika*, *Angels*' second half. While full of freshly comic scenarios and his trademark dazzling flights of prose, *Slavs!* is more a disjointed grab-bag of scenes than a fully realised play. Its first scenes, schtick-laden sketches in which ageing apparatchiks literally politic themselves to death, are funny but forgettable. The play's real interest kicks in when we meet Katherina (Kate Goehring), an idealist cursing her way through a functionary's job, and her lover Bonfila (Mary Schultz), a paediatric oncologist. Exiled to Siberia, Bonfila encounters an outbreak of radiation sickness and in the play's most effective, final scenes, we follow a young victim to heaven.

Kushner's engagement in these last scenes is clear, but his earnestness mingles uncertainly with the broadly comic tone of the play's first half. Lisa Peterson directs with pace and a flair for the broadly theatrical gesture, but the production is hindered by weak acting among the older male performers. Schultz and Goehring, however, are first-rate.

Kushner's play was performed in a double bill with *Trip's Cinch* by Phyllis Nagy, an American playwright living in London whose *Butterfly Kiss* recently premiered at the Almeida. *Trip's Cinch* is similar in tone and theme to David Mamet's *Oleanna* and inspired by the William Kennedy Smith and Mike Tyson date rape cases. Plays such as this, and the issues they are meant to inform, are fuelled by ambiguity, but Nagy's drama lays it on too thick. With so few clues given to the audience about how to interpret the events on stage, our reaction is less prurient fascination than indifference.

The festival's most effective production, Wendy Hammond's *Julie Johnson*, is impressive less for any innovations in theatrical form than for the freshness of Hammond's voice and a remarkable performance by Lily Knight as the title character, a working-class wife and mother who decides she "doesn't want to be stupid no more".

She kicks out her husband, enrols in night classes, and discovers a passion for computers and for her best friend, a coffee shop waitress. The dilemma the women face in reconciling their new-found sexual identity with the restrictive standards of their community is compelling and, eventually, moving.

For all its emotional credibility, *Julie Johnson* never departs from the formulaic structure of a television movie-of-the-week, a weakness which director Jon Jory counteracts with an aggressively theatrical production – black-garbed stagehands move pieces of scenery on and off stage; rock music blares during set changes.

Humana's annual presentation of 10-minute plays, a disappointment at past festivals, found life in the genre this year. Jane Anderson's *The Last Time We Saw Her* is a little bombshell of precise naturalism. A young businesswoman tells her boss that she is gay and that she wants her co-workers to know about it. The ensuing conversation turns quietly ugly, but just who is in the wrong?

Susan Miller's *My Left Breast* is a part-confessional, part-inspirational autobiographical monologue covering Miller's breast cancer and a difficult break-up with a female lover. While Miller's good humour and bravery are remarkable – there are few women around, for better or worse, who would be willing to expose a mastectomy scar to a roomful of strangers – her message, that we must bear the good with the bad, is hardly new.

The festival's most stylistically adventurous offering was *1969*, a collaboration between director/writer Tina Landau and seven young performers. A collage of songs, dialogue, speeches, and movement, *1969* is an attempt to evoke both the universal pains and rewards of growing up, and to capture the mood of the late 1960s in middle America. Landau directs and the cast performs with precision and passion, but the plot is too predictable – nerdy high school senior realises he's gay and runs off to an idealised New York – and the writing seldom rises above the banal.

High production values are among the Humana Festival's traditional pleasures; set designer Paul Owen, who has designed nearly every play in festival history, is an unsung genius of American theatre. Another of the Festival's delights is its community spirit – a relief for the jaded big city theatregoer and a reminder of the values that inspired the regional theatre movement and keep it alive.

INTERNATIONAL ARTS GUIDE

ANTWERP

De Vlaamse Opera Sun: Stefan Soltesz conducts first night of Willy Decker's production of Billy Budd, with cast headed by Michael Kraus, Nigel Robson and Gidon Saks. Repeated May 10, 12 and 14 in Antwerp and May 20, 22 and 27 in Ghent (03-233 6685)

AMSTERDAM

Concertgebouw Tonight: Mikheil Pletnev conducts Russian National Orchestra in works by Tchaikovsky, Skryabin and Rakhmaninov. Tonight (Kleine Zaal): Felicity Lott song recital. Fri: Jean Fournet conducts Royal Concertgebouw Orchestra in Debussy, Tomasi and Berlioz. Sat morning: Sarah Walker song recital. Sat, Sun, next Tues: Philippe Entremont conducts Netherlands Chamber Orchestra in Mozart, Ibert and Saint-Saens, with piano soloist Stefan Vladar. (24-hour information service 020-675 4411 ticket reservations 020-671 8345)

Muziektheater Tonight: Edo de Waart conducts final performance of Harry Kupfer's production of Salome, with Josephine Barstow and John Bröcheler. Tomorrow, Thurs: Gulbenkian Ballet mixed bill. Fri, next Mon (in repertory till May 22): Peter Schat's new opera Symposion, conducted by Hans Vonk and staged by Ian Strasfogel. Sat, Sun, next Tues: Sankai Juku presents Yuragi, play by Ushio Amagatsu (020-625 5455)

BRUSSELS

Palais des Beaux Arts Tonight: Hans Graf conducts Belgian National Orchestra in works by Mozart and Haydn, with cello soloist Matt Haimovitz. Fri: Muhai Tang conducts Royal Flanders Philharmonic Orchestra in Grieg, Nielsen and Sibelius, with clarinet soloist Walter Boeykens. Sat (Conservatoire): Lilya Zilberstein piano recital. Sun afternoon: Patrick Davin conducts Belgian National Orchestra in Weber and Beethoven, with clarinet soloist Walter Boeykens (02-507 8200)

Monnaie Tonight, Thurs, Sun and next Tues: Antonio Pappano conducts Willy Decker's production of Peter Grimes, with cast headed by William Cochran, Susan Chilcott and Gregory Yurisich (02-218 1211)

GENEVA

OPERA/CONCERTS

Grand Théâtre Thurs: Bruno Campanella conducts first night of revival of Robert Carsen's 1991 production of Bellini's I Capuleti e I Montecchi, with cast headed by Cecilia Gasdia and Jennifer Larmore. Repeated May 7, 10, 12, 14, 16 (022-311 2311)

Victoria Hall Thurs: Lilya Zilberstein piano recital (022-310 9193). Fri: Horst Stein conducts Orchestre de la Suisse Romande in works by Mozart and Richard Strauss, with clarinet soloist Aart Rozeboom (022-311 2511)

THEATRE

Comédie Daily till Sat: Feydeau's farce La Main Passe, directed by David Bauhofer (022-320 5001)

Théâtre de Carouge Next Tues: first night of new production of Corneille's Le Cid, directed by Simon Eine (022-343 4343)

CHICAGO

Orchestra Hall Tonight: Orpheus Chamber Orchestra with soprano Dawn Upshaw. Thurs, Fri, Sat: Daniel Barenboim conducts Chicago Symphony Orchestra in world premiere of Boulez's Notations V-VIII, plus works by Wagner, Schumann and Skryabin with cello soloist Yo Yo Ma. Sun: Barenboim and Ma recital (312-435 6666)

SALZBURG

WHIT CONCERTS

The Chicago Symphony Orchestra returns to Salzburg for Whit weekend May 21-23. Daniel Barenboim conducts the opening programme of Brahms and Stravinsky, and Georg Solti conducts two programmes of Beethoven and Stravinsky on the following two evenings (Tel 0662-841307 Fax 0662-840124)

UTRECHT

Vredenburg Tonight: Emerson Quartet plays string quartets by Schubert, Shostakovich and Beethoven. Tomorrow: Jan Latham-Koenig conducts Radio Philharmonic Orchestra and Chorus in works by Beethoven, Mozart and Mendelssohn. Thurs: Jean Fournet conducts Royal Concertgebouw Orchestra in Debussy, Tomasi and Berlioz. Fri: Sanford Sylvan song recital. Sat: Jan Latham-Koenig conducts orchestral works by Massenet, Mozart and Dvorak (030-314544)

VIENNA

OPERA/DANCE

Staatsoper Tonight, Sat: Tosca. Tomorrow: L'elisir d'amore. Thurs, Sun: Placido Domingo conducts John Dew's new production of I Puritani, with Edita Gruberova, Mario Giordani and Dmitri Hvorostovsky (repeated May 11, 15 and 18). Fri: Prokofiev's ballet Romeo and Juliet. Next Mon and Thurs: Colin Davis conducts Idomeneo (51444 2955)

Volksoper Sat, next Mon: The Makropoulos Case with Anja Silja (51444 2959)

Ronacher Sun, next Mon, Tues, Wed: Pina Bausch Tanztheater Wuppertal (586 1676)

CONCERTS

Musikverein Tonight: Simon Rattle conducts City of Birmingham Symphony Orchestra in works by Rameau, Debussy, Haydn and Bartok. Thurs, Fri, Sat: Zdenek Macal conducts Pittsburgh Symphony Orchestra in Smetana, Janacek and Tchaikovsky. Sat afternoon, Sun morning, Mon evening: Pierre Boulez conducts Vienna Philharmonic Orchestra in 1994 Vienna Festival. Next Tues, Wed: Claudio Abbado conducts Berlin Philharmonic (505 8190)

Konzerthaus Tonight, tomorrow, Sat, Sun (Mozart-Saal): Borodin and Tokyo Quartets give a cycle of quartets by Shostakovich and Beethoven. Tomorrow: Michael Gielen conducts South West German Radio Orchestra in works by Beethoven and Bruckner, with piano soloist Stefan Litwin. Thurs: Melvyn Tan is piano soloist with New Mozart Ensemble. Fri: Oleg Caetani conducts Austrian Radio Symphony Orchestra and Chorus. Sun: Bruno Weil conducts Tafelmusik baroque ensemble, with soprano Emma Kirkby (712 1211)

THEATRE

A new production of Goethe's Torquato Tasso, directed by Cesare Lievi, opens on Fri at **Akademietheater** (51444 2959). Peter Zadek's production of Shakespeare's Antony and Cleopatra opens at **Theater an der Wien** on Sat, with Gert Voss and Eva Mattes in the title roles (5883 0237). Repertory at **Theater in der Josefstadt** includes a new production of John Osborne's The Entertainer (402 5127)

WASHINGTON

DANCE/MUSIC

- Parsons Dance Company is in residence at the Kennedy Center's Terrace Theater from tonight till Sat. Accompanied by Billy Taylor's jazz trio. May 11-15: Washington Ballet (202-467 4600)
- Christoph Eschenbach is conductor and piano soloist with National Symphony Orchestra on Thurs, Fri, Sat and next Tues at **Kennedy Center Concert Hall**. Music by Beethoven and Tchaikovsky (202-467 4600)

THEATRE

- The Winter's Tale: Britain's Royal Shakespeare Company is in residence at the **Eisenhower Theater** for the next three weeks (202-467 4600)
- A Room of One's Own: Eileen Atkins in her acclaimed portrait of Virginia Woolf. At Arena Stage, **Kreeger Theater**, till June 19 (202-488 3300)
- Hot'n'Cole: a Cole Porter musical revue, comprising more than 50 great songs by the master of American popular music. Opens tonight at **Olney Theater**, till May 29 (301-924 3400)
- Hot Mikado: this 1940s swinging version of the G&S operetta has returned to **Ford's Theater** (202-347 4833)

ZURICH

Opernhaus Tonight, Fri: choreographies by Bienert, Ek and Van Manen. Tomorrow, Sat (also May 11, 15, 18): Lamberto Gardelli conducts Andrei Serban's new production of Adriana Lecouvreur, with cast headed by Mara Zampieri and Neil Shicoff. Thurs, Sun: Fedora with Agnes Baltsa and Luis Lima. Sun afternoon: Die Zauberflöte. Next Mon: Alban Berg Quartet (01-262 0909)

Tonhalle Tonight, Thurs, Fri: Nello Santi conducts Tonhalle Orchestra in a programme including Elgar's Violin Concerto, with Igor Oistrakh. Tomorrow: Il Giardino Armonco plays Vivaldi's Four Seasons (01-261 1600)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
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Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

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Sky News: FT Reports 0230, 2030

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Understanding the libertarian mind

MICHAEL PROWSE on AMERICA

The other evening I attended a meeting of the Vienna Coffee Club – that is Vienna in the state of Virginia. The guest of honour, Mrs Bettina Greaves, spoke about Ludwig von Mises, the late "Austrian" economist whose work she has lovingly catalogued. I thought how strange it was that Mises, an economist almost unknown in his native Austria, remains a source of inspiration for many US libertarians.

I suppose Americans, for historical reasons, are naturally more sympathetic to free-market ideas than Europeans. The newly-formed Vienna Coffee Club is typical of scores of discussion groups and think-tanks scattered across the US. What they share is a dislike of government and a burning commitment to economic and personal liberty. Some, such as the Cato Institute in Washington DC, exert considerable influence.

Cynics tend to dismiss libertarians as either cranks or rightwing reactionaries. They say the high-flown rhetoric about "freedom" is a smokescreen. Rich entrepreneurs support such groups, the argument runs, for selfish reasons: to garner political support for lower taxes, a policy from which they stand to benefit.

Perhaps some backers of libertarian groups do have dubious motives. But this is not an argument against libertarianism: as Adam Smith noted, self-serving behaviour often promotes public welfare more effectively than altruism. Motives in any case have no bearing on the validity of political arguments. While libertarians sometimes welcome support from traditional right-wingers, the philosophy espoused by true believers would make most conservatives cringe.

Libertarians believe in one fundamental principle: individuals should be free to pursue their own goals unmolested provided they do not harm the person or property of others. All consenting acts between adults that do not damage third parties should be permitted. Libertarians are thus *highly critical of conservatives* for disregarding civil and personal liberties and for imposing their moral codes on the entire community.

They reject military conscription (even in wartime) as a wholly unacceptable infringement of personal liberty; they oppose all forms of censorship, including restrictions on pornography; and they strongly advocate equal legal treatment of all citizens, regardless of sexual orientation, race or gender. A libertarian could have no principled objection to homosexual marriage, or to adult prostitution, which is a service in obvious demand.

In these respects libertarians are firmly "left of centre". But they part company with social democrats on economics. They do not believe personal and economic freedoms can be disentangled. As Mr Murray Rothbard, a prominent American libertarian, has often argued, civil liberties are rooted in economic freedoms. Why? Because we cannot do anything without control of physical objects and, ultimately, we cannot control what we do not own. Liberty is thus a myth unless individuals can own and transfer assets without interference.

The axiom that interactions between people should not be interfered with unless they damage third parties thus logically extends from free speech and sexual conduct to the exchange of goods and services. Yet when government imposes taxes or regulations, it forcibly interferes with these voluntary economic exchanges. Taxation, for example, means that employees often receive two thirds or less of the monetary value of their output. Extreme libertarians, such as Rothbard, reject all taxation as "theft"; moderate libertarians accept the need for some taxation, but oppose progressive taxes – proportionately higher taxes on the wealthy.

Western-style democracy (one person one vote) is often regarded as an automatic guarantee of personal freedom. Libertarians agree that the alternatives are worse, but they regard government of any sort as potentially despotic. The problem is that the right to vote once every few years gives the individual little control over the actions of government. It exerts no effective restraint on the capricious will of the majority, which is often strongly influenced by special interest groups.

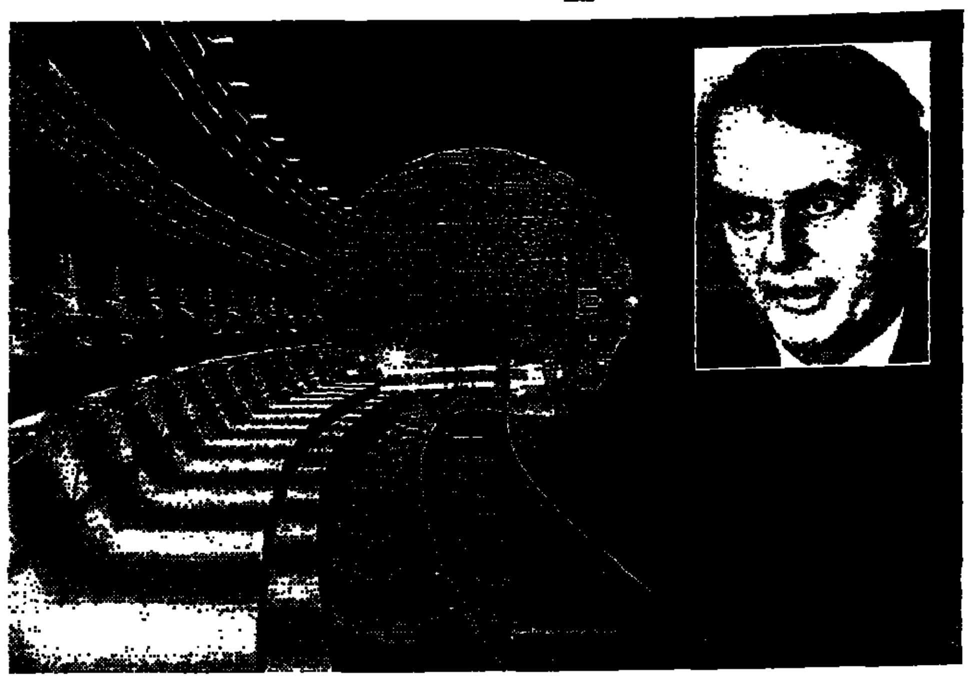
Libertarians fear individual rights are being crushed even in such supposedly individualistic societies as the US. For a catalogue of recent abuses, see *Lost Rights: the Destruction of American Liberty* (St Martin's Press, New York), a new book by libertarian author James Bovard. He worries about tax regulations that are forcing the self-employed into bankruptcy, "asset forfeiture" laws that permit officials to seize property almost at will, security forces which search homes and persons merely on suspicion of drug abuse, and a mind-boggling array of arbitrary rules stemming from some 1,200 separate federal programmes.

Bovard complains that most Americans have a romantic view of government: they judge politicians not by their record but, naively, by what they say they will do for voters. He favours rolling back government to its 1910 boundaries – before income tax.

Since libertarians believe in low, flat taxes and a minimal government (for such functions as defence and law and order), they are often perceived as "uncaring". This is somewhat unfair. People's ethics are best judged by their private actions – not by their politics. The proportion of income that individuals freely give to charity is surely a far better gauge of their sympathy for their less fortunate fellows than the shrillness of their calls for higher taxes on the rich and more public spending, much of which only induces dependency in recipients thus further eroding their life chances. The libertarian voice deserves to be heard.

The Channel tunnel opens this week, late and over budget. **Andrew Taylor** says it is not unique

Pounds, pioneers and more pounds



Light at the end of the tunnel: an inside view of the Channel project and, inset, Sir Alastair Morton

Sir Alastair Morton and Mr André Bénard, co-chairmen of Eurotunnel, will on Friday join the ranks of engineering pioneers such as Thomas Telford, Isambard Brunel and *Ferdinand de Lesseps who* have presided over grand engineering projects completed late and over budget.

The official opening of the Channel tunnel by the Queen and President Francois Mitterrand of France is a year later than originally planned. A full service is unlikely to be available until the autumn.

The cost of the project, at more than £10bn including interest payments, is more than double the £4.8bn forecast in 1987. Shareholders, who have invested £1.6bn already, will be asked later this summer to find another £500m-£750m as Eurotunnel seeks to raise yet more cash to meet the spiralling costs. Similarly, banks will have to lend more.

Their experience, and those of promoters of other large engineering projects, raises the question of whether such pioneering schemes are suitable for private investment when they are almost impossible to cost in advance.

Potential promoters of the £2.7bn proposed high-speed rail link between the Channel tunnel and London have successfully argued that the government should share the financial risk as it can take a broader view of other social and economic benefits which the development may bring. The UK government says it will bear part of the cost but the amount has not been decided.

Developments which have substantially exceeded their original budgets in recent years include the Thames Barrier which cost £46m (compared with an original price of £23m), and the NatWest Tower in the City of London, £115m (£15m). Outside the UK, the Seikan rail tunnel, connecting the island of Hokkaido to mainland Japan was completed 14 years late and billions of pounds over budget.

History is littered with grandiose schemes which have failed to satisfy the original expectations of bankers, investors and politicians. Yet many have come to be regarded as successes bringing great strategic advantages.

Mr Patrick de Pelet, head of project finance at Kleinwort Benson merchant bank, says: "The political, commercial and *financial risks involved in* large infrastructure projects are such that the private sector will look to the government to bridge the gap to bring the economics into balance in this more demanding climate."

Mr Roland Paxton, historian at the Institution of Civil Engineers, says large projects have *particular features which make* it difficult to forecast the cost and construction time. He says the scale of the work means that construction, invariably, has to start before detailed designs are completed and potential problems and bottlenecks can be identified. Engineers without detailed plans tend to be over-optimistic in their projections, particularly with nervous bankers and shareholders to convince.

For example, a cooling system in the Channel tunnel was not included in the original plans. The need for one only became apparent when final designs revealed that friction caused by the passage of some of the world's largest trains, together with heat generated *by signalling, communications* and other equipment, would increase the temperature inside the tunnels to 50°C.

As a result engineers had to install hundreds of kilometres of pipes to pump 220 litres of water a second, chilled to 3°C by cooling plants equivalent to 25,000 domestic refrigerators.

Designs on long-running projects also have a habit of changing. Mr Neville Simms, chief executive of Tarmac, one

The £10bn cost of the tunnel is more than double the £4.8bn forecast in 1987

of the five British and five French construction companies which built the Channel tunnel says: "The speed of technological development has been such that even if we had spent two years preparing detailed designs before starting work we would have had to change *them before construction* was completed."

Even if the technology is simple, the scale of large projects in itself makes costings unreliable, if only because there is no previous experience to draw on. Organisation and communication problems are different between, say, a 5km and a 50km tunnel. More than 800,000 concrete segments, 22,000 tonnes of railway track, 15,000 supports to carry overhead power lines and 20,000 light fittings were just some of the components installed in the Channel tunnel.

*Mr Michel Barbier, responsi*ble for installing mechanical and electrical equipment from France, described the process of transporting much of that equipment through the narrow tunnel mouth as like "force feeding a goose in a very short space of time to produce the best ever pâté de foie gras".

Such problems are hardly new. Thomas Telford, who built the Menai bridge between Anglesea island and the Welsh mainland in 1826 – then the world's largest suspension bridge – had expected the scheme to be completed in three years *at a cost of £70,000*.

Instead he found the technology outpacing him. The bridge took eight years to build and cost £170,000 after Telford was persuaded that it would be stronger if he increased the height of its towers. The bridge improved an important Anglo-Irish trade route and gave Britain a lead in bridge building technology which it was able to exploit elsewhere.

The financing of the Suez Canal, completed in 1869, is a classic example of engineers persuading investors that they would be able to meet over-optimistic cost forecasts. The private-sector project, proposed by Ferdinand de Lesseps, a French entrepreneur, was to be financed by the issue of 400,000 shares at FFr500 each to meet the £8m construction cost. But the project finished a year late and cost £16m.

Even then, shareholders' problems were not over. Revenue from the canal failed to cover costs and the promised 5 per cent dividend on the shares. Ishmail Pasha, the viceroy of Egypt, whose family had spent £6.8m on the canal shares, sold his stake to the British government for £4m.

De Lesseps ran into still more serious trouble with plans to finance privately the *Panama Canal*. The project was forecast in 1880 to cost $240m, including interest repayments. It was expected to take 12 years to complete.

The venture was eventually finished in 1914 by the US government after the French venture failed in 1889 having spent $287m and made little progress in building the canal. The US spent a further $352m on the project, making a total of $639m – more than two and a half times the original budget.

Another private-sector project that had to be rescued by a government was the first tunnel under the River Thames built 150 years ago by Marc Isambard Brunel (father of Isambard Kingdom Brunel). Shareholders lost all of their *money* but the project was an engineering triumph breaking new ground in tunneling technology. The tunnel is still used as part of the London Underground.

Telford, De Lesseps and Brunel may have failed to meet their original financial targets – and many shareholders have had their fingers burnt. But their projects have yielded strategic and economic benefits over many years. With Eurotunnel shareholders facing yet another call on their cash, that might bring them a little satisfaction.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Orange off colour with its message

From Mr Alan Greene.

Sir, As someone eagerly awaiting the arrival of the UK's fourth and last mobile phone operator before deciding which system to use, I have been disappointed with the launch of Orange. I can see where the £15m on advertising is being spent, namely on TV and one word poster adverts that tell you nothing about the product or how to get one. I have been into phone shops and am aware that there are plenty of handsets in stock. The only thing I don't know is how much it costs, as tariff sheets and contract details are in short supply.

Whereas newspapers carried full tariff details on the launch of the Mercury PCN in both adverts and in articles, the garbled reporting of Orange's launch in last Thursday's FT – "there are to be no monthly charges. Its plan for occasional users costs £15 a month including..." – does not help to clarify matters.

Whatever happened to benefit selling? I feel that Orange's concept approach to marketing that overlooks its product's benefits is going to cost it dear. Or maybe the tariffs are best not explained in case they cost the customer dear.

Alan Greene,
32 Glen Road,
Fleet,
Hants GU13 9QR

Auditor liability must have limit

From Mr Ian Brindle.

Sir, The Chartered Association of Certified Accountants in its submission to the Department of Trade and Industry on auditors' liability has missed the point ("Accounting body warns over cap on audit liability", April 25).

To argue that allowing auditors the right to negotiate a limit on liability would be anti-competitive, and therefore against the public interest, simply misunderstands the seriousness of the position.

It is quite clear that, following some spectacular corporate collapses and the ensuing epidemic of legislation, the major firms are now facing claims of such size that one or more of them could be bankrupted. Insurance cover is no longer available and, unless the Companies Act is amended to allow auditors to negotiate an upper limit for lawsuits, some firms will go under.

Incorporation has been mentioned as one solution but, while it would offer some protection to individuals, the company as an entity would still be at risk in the event of an excessive lawsuit.

The consequences scarcely bear thinking about. Setting aside the mayhem it would cause in the accountancy profession, business would be badly damaged as companies would be unable to substantiate their accounts and so attract investment. This dislocation would continue for some time and by no stretch of the imagination could that be described as in the public interest.

Let us be very clear, the major firms are not trying to shirk responsibility. We are very willing to accept our share of the blame, but not everyone else's share. It cannot be right that auditors are exposed to 100 per cent of a loss, whatever their proportion of the blame. What is most desirable – and equitable – is that the law on joint and several liability should be changed so that auditors only bear the costs of what is directly attributable to them. However, the Law Commission has made it clear that its workload makes this change most unlikely in the short term.

In this event, all we are seeking is a modest change in the law to bring us into line with other professionals who already have the right to negotiate a limit on what they have to pay out.

Pursuing the goal of free competition is laudable and one to which we subscribe. We do not believe limiting auditors' liability goes against this.

What we do believe is that failure to change the law will damage industry as much, if not more than, the profession.

Ian Brindle,
senior partner,
Price Waterhouse,
Southwark Towers,
32 London Bridge Street,
London SE1

Quotas raise questions about DTI's competence

From Mr Ben Coleman.

Sir, Philosophical discussions over subsidiarity in relation to the Cardiff Bay barrage and the sudden introduction of EU import quotas on Chinese silk shirts miss the point (Letters, April 25 and 28, and report, "Clothes retailers hit as Brussels imposes limits on silk imports", April 22). The silk shirts affair throws up far more disturbing questions about the competence of the Department of Trade and Industry and the Foreign Office.

Didn't the DTI and the FO have any idea in advance that the EU wanted to impose quotas? If they did, why was there no warning to British importers, which are left with overseas stock they have paid for but cannot bring in? If they did not, why on earth not?

The important issue here is whether British industry is suffering *yet again from the fail*ure of our politicians and civil servants to understand how to monitor and influence developments in Brussels.

Ben Coleman,
14 Boscombe Road,
London W12 9HP

Incomplete picture conveyed of power workers' attitudes

From Mr John Lyons.

Sir, Frank Ledger and Howard Sallis's article about the operations of the Central Electricity Generating Board during the 1984-1985 miners' strike ("We kept the home fires burning", April 23) was a trailer both for their forthcoming book on the subject and for the BBC2 documentary, "The men who kept the lights on", shown the same evening.

*The producers of the docu*mentary had the laudable aim of bringing that story to a wider public; unfortunately, by their choice of interviewees they conveyed the impression that the only members of the workforce who co-operated with management in carrying out the industry's fundamental public service commitment to keep the lights on were weak, unprincipled or greedy, or all three. It was not so.

Among the industry's workforce there was much sympathy for the miners' predicament. But, with comparatively few exceptions, it did not translate into support for the strike itself – for obvious reasons. Arthur Scargill, the miners' leader, with his own *overtly political objectives*, made a lot of people wary, even when sympathetic. He not only endorsed picket-line violence, but it was widely appreciated that, in the absence of a ballot, he needed it. Scargill's slogan that no mine should be closed on economic grounds rang no bells with a workforce which accepted that power stations had to be closed when they were no longer economic. And then there was always a strong sense of responsibility about electricity supply being a public service.

Management was only able to pull the industry through the strike in the way it did because the workforce as a whole was, at the very least, unpersuaded about the legitimacy of the miners' strike under Scargill's leadership. No one could know that from watching the documentary.

Of course, there were those in the industry who strongly supported the strike. They also had honourable reasons, but they were in a minority. At perhaps six or seven of (from memory) about 90 power stations support for the strike was sufficiently strong to prevent management from getting in any new coal supplies. But at the great majority of power stations these problems did not arise or else were comparatively minor. No one could have known that from watching the documentary.

I do not think the producers of the documentary *set out to* produce the skewed picture with which they ended up. But they should have painted the wider picture as well.

John Lyons,
(former general secretary of the Electrical Power Engineers Association),
305 Salmon Street,
London NW9

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

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Europe's parliament

European Union institutions often face justifiable criticism for lack of transparency in decision-making. One of the bodies best placed to address this problem is the European Parliament, but the public doubts its effectiveness. That is one reason why, in most EU countries, the turnout in the election for the Strasbourg assembly on June 9 and 12 will probably be much lower than in national polls.

In fact, as a result of the Single European Act that came into force in 1987 and the Maastricht treaty, the power of the 518 (soon to be 567) MEPs in many cases exceeds that of members of national parliaments. With the ability to determine Europe-wide legislation, vet both the European Commission and Council of Ministers and check the EU budget, Europe's transnational assembly demands to be taken seriously. At the same time, the rules governing the parliament's own operations need to be tightened. If it wants public sympathy in its campaign for a more directly democratic EU, the parliament will have to correct its own shortcomings.

At present, the parliament offers a case study in unwieldiness, due only in part to the inevitable problems of linking 12 states' diverse political cultures. Efficiency is constrained and costs increased by MEPs' need to peregrinate between plenary sessions in Strasbourg and committee meetings in Brussels.

Higher profile

The parliament's difficulties have often reflected national governments' unwillingness to allow it to undermine national parliaments. However, during the next five-year legislature period, it will have a much higher profile. Already, around 2,000 MEPs' amendments relating to single market legislation have passed into law. Under Maastricht, the parliament shares "co-decision" power with the Council of Ministers. It can veto most measures passed by qualified majority voting, in fields ranging from consumer protection and vocational training to health and research.

In a fresh sign of its importance, the parliament is due to decide tomorrow whether to accept the formula for EU voting planned when Austria, Finland, Norway and Sweden join.

It would be both unwise and regrettable if MEPs risked delaying an enlargement timetable which commands widespread support within the EU, but which is politically sensitive in the applicant countries. The parliament is, however, on stronger ground in seeking confirmation hearings with nominees for the new Commission due to take office next year and is playing a welcome part in efforts launched by the Dutch to reduce secrecy in EU ministerial discussions.

Credibility

In its supervisory or watchdog role, the parliament can have a beneficial impact in promoting transparency, controlling EU bureaucracies and curbing overspending, including that linked to fraud. But these efforts will command little credibility while evidence persists of parliament's own mismanagement.

Responsibility for the wastefulness of the Brussels-Strasbourg Euroshuttle lies largely with the French government, which has constantly opposed siting the parliament in its logical home, the Belgian capital. Nonetheless, the parliament is partly to blame for the cost over-runs on its new building in Brussels and for the plan to create an expensive new chamber in Strasbourg. Independent inquiries into both affairs are urgently required.

Among necessary procedural reforms, the parliament must widen timely dissemination of its often valuable committee work. It must also try to ensure a more cohesive framework for its debates and for the ensuing votes. Possible moves to crack down on absenteeism might include suspension or expulsion of MEPs. Equally, given its influence over EU legislation, the parliament needs firmer rules for disclosure of members' links with outside companies.

To reinforce the democratic legitimacy of EU decisions, it is healthy that the parliament is acquiring and using extra muscle. But there is also a need to scrutinise the scrutineer. Only if it respects the principles of probity and openness in the conduct of EU affairs can the parliament hope to safeguard them. Without a better reputation, the parliament will fail to engage the interest and to win the trust of Europe's voters.

The business of smoking

The acquisition of American Tobacco by BAT Industries is at first glance a perverse step. For one thing, it appears contrary to BAT's strategy of diversifying away from cigarette sales into financial services. For another, BAT is investing in the US tobacco market at a time when sales are declining and the anti-smoking climate is shifting from determined to downright zealous.

Yet BAT has benefited from the adverse circumstances – as its share price rise shows. Fears over the future of the US market mean that the price paid for American Tobacco is cheap at under 10 times earnings. The acquisition should allow BAT to strengthen its market position through efficiencies in marketing and sales. In spite of falling sales and the price war launched last year by Philip Morris, tobacco continues to produce strong cash flow.

This cash can be used to diversify out of tobacco. BAT continues to look for opportunities in financial services. American Brands, former owner of American Tobacco, has built up a strong portfolio of other consumer brands. But the collapse of communism creates enormous opportunities for companies that remain in the tobacco business. Markets such as China and the former Soviet Union are now opening up with fast-growing sales.

The tobacco giants would be unwise to assume that they can indefinitely expand the market for their products, however, even in less developed countries. The health consequences of smoking on those who indulge in it are now undisputed and clear. As life expectancy in such countries lengthens, the cost in premature deaths and medical treatment will become evident. Restrictions on sales and marketing will follow.

Anti-smoking activists

The rapid change in thinking in the US should be a warning of how fast the climate for smoking can change, even in a country with a substantial tobacco industry. The election of President Bill Clinton has ended a period in which anti-smoking activists had minimal impact and US diplomats did their best to open foreign markets for their tobacco companies. Far-reaching measures now proposed could restrict smoking to the privacy of the home, the car or special smoking rooms sealed off from the rest of the world.

Given the growing evidence on the health impact of smoking on non-smokers, it is certainly sensible to ensure that the latter can avoid "passive smoking". The threat of litigation will compel employers to protect their non-smoking employees from tobacco smoke. The prevailing mood may also lead businesses such as restaurants to segregate their smoking customers. Smokers in public places will face increasing restrictions at the behest of the non-smoking majority.

Draconian measures

Yet some of the more draconian measures now proposed are unlikely to be effective. Punitive taxation, for example, is tempting because it bears heavily on "sinners". It can also be shown to reduce consumption and deter young people from the habit. Excessively high taxes, however, also increase the sort of cross-border smuggling that recently forced Canada to cut its tobacco tax.

Even more drastic attempts to treat tobacco like other dangerous drugs is likely to make control more difficult. Banning other widely-consumed drugs such as marijuana has not significantly reduced their consumption. It has, however, removed them from controls over distribution, to the advantage of those who sell more dangerous substances. As with alcohol prohibition in the US, the main beneficiaries are criminals.

Nor is it clear that complete bans on advertising are efficacious (other than in defending state tobacco monopolies against foreign competitors). There is some evidence that smoking may increase in countries with bans because of the disappearance of the anti-smoking messages that advertisements are normally required to carry.

Reducing the number of smokers and the amount of smoking is a legitimate and worthwhile aim of public policy. But pragmatism is needed in chosing the means. And success is likely to be gradual, a fact that allows the tobacco companies very many more profitable years before their market disappears completely.

High-powered decisions ahead

After the death of two drivers, the sport of grand prix motor racing faces difficult choices, writes **John Griffiths**

The world of grand prix motor racing, still mourning the death at the weekend of three-times world champion Ayrton Senna and Austrian driver Roland Ratzenberger, yesterday began the process of analysing the causes of the fatalities at the San Marino Grand Prix – and their implications for the sport's future.

A formal investigation is being launched by the Paris-based world governing body of motor sport, the Federation Internationale de l'Automobile. Before the lights turn green at the Monaco Grand Prix on May 15, the drivers will have held their own meeting to discuss whether additional steps should be taken to improve safety.

Ironically that meeting was initiated by Senna himself. In part it was a consequence of his concern that changes made this year to the rules governing grand prix cars, in particular a ban on "active" (computer controlled) suspension, traction control (to prevent wheel spin under acceleration), and other driver aids, were making the cars more difficult to control.

Senna lived for the satisfaction racing at the limit gave him. He brought to grand prix not just natural driving talent but a self-discipline and analytical rigour. Nevertheless, in spite of his renowned aggression on the track, no one was more aware of motor racing's risks than the 34-year-old Brazilian: "I know you are always in danger of dying . . . and it can really get to you. If you're not careful you can see how fragile you are; that you can be gone in just a fraction of a second," he said recently.

His death raises questions not just about the safety record of grand prix racing and measures that might be taken to improve it but also the extent to which it should regard itself as a entertainment spectacle, necessarily involving risk.

The FIA's president, Mr Max Mosley, yesterday defended this year's rule changes of which Senna was critical. The FIA introduced them, Mr Mosley says, as a means of restoring a greater role for the driver. Had the trend to greater electronic control of the cars gone unchecked, maintains Mr Mosley, "we would fairly quickly eliminate the driver. One skill after another would go until, in the end, almost anybody would be able to drive the car. It's all technically fascinating and very relevant to road cars – but we felt it would destroy an essential element of grand prix racing."

He perhaps did not realise it but Mr Mosley was in effect saying that technology has given grand prix, the ability – and the responsibility – to decide what level of risk should be involved.

The ramifications of the questions raised extend beyond the grand prix teams to embrace all the participants in what has become a global industry, as well as a sport.

With each race watched in more than 100 countries and by about 1bn television viewers, Formula One Grand Prix has become a marketing tool for carmakers and other multinationals ranging from clothing group Benetton to the tobacco industry.

Yesterday the Ford motor company, which provides engines for several teams including current championship leader, Benetton-Ford, withdrew a series of newspaper advertisements to celebrate its weekend victory. And Renault, whose engines powered the Williams car in which Senna died, itself called for greater safety measures.

Such reactions are understandable, as is that of the German driver Michael Schumacher, whose third win in a row in his Benetton-Ford at the weekend was overshadowed by the tragedies. Schumacher has pledged to lead the Monaco meeting himself in the quest to secure greater safety.

The immediate investigations will concentrate on discovering what caused Ratzenberger to leave the track at such high speed – close to 200mph – on Saturday and Senna, 24 hours later, to crash head-on into the concrete wall lining Imola's notorious Tamburello curve at a similar speed.

Video and eye-witness evidence indicate that bodywork broke away on Ratzenberger's car, causing it to lose stability. In Senna's case there are few clues, except that on the evening before the race he was reported as worried about his car

AP

After Senna: grand prix racing needs to re-examine its safety standards

being "nervous" on the Imola circuit, one of the world's fastest but criticised by several drivers for being bumpy. The data-logging "black box" from the wreckage of Senna's car may hold the answers to the crash and will be flown to the UK for examination within the next few days.

Another issue of immediate concern is the safety of racing circuits. The Monaco drivers' meeting is expected to concentrate on this issue. More gravel traps to slow the cars before they hit barriers and longer run-off areas might well have reduced the catastrophic consequences of the weekend's crashes. Honeycomb barriers, rather than rigid steel or concrete ones, might also have slowed Senna's and Ratzenberger's deceleration rate enough for them to survive.

But there are more fundamental decisions to be made. The FIA could chose to retain the new rules, thus placing the onus on the drivers, not technology, to control the cars. The rules also have the advantage of curbing costs, allowing smaller teams to close the gap on the front-runners, thus making racing more interesting for spectators.

But this concept of grand prix racing – as commercial spectacle first, technology race second – has increased the risk to drivers. The number of spins from driver error in grand prix races this year shows how big the impact has been, although there is no evidence that this was a factor in the weekend's crashes.

The alternative is for the FIA to relax the restrictions on driver aids. This would give a fresh impetus to the technological side of racing: such is the pace of technology, the cars would not even need drivers within the next five years. Last year leading drivers had merely to press a button when the lights turned to green. It was the on-board computer which operated the accelerator and clutch, changed all the gears and stopped the wheels spinning wastefully until the first corner had been passed. Such driver aids are among those currently banned.

One problem, however, as the investigations into the weekend's accidents is likely to show, is that while the cars' carbon-fibre driver "survival" cells are surviving impacts of great severity, the drivers they contain can simply no longer cope with the impact of the gravitational forces in high-speed collisions, even in the absence of other injury.

The blunt question grand prix must ask itself is whether audiences are interested in racing as a risk-free giant Nintendo game, fought by computers with little human input during the races themselves – or whether commercial interests will drift away towards something more adventurous.

The advances in circuit design, car technology and materials have in fact made grand prix motor racing safe beyond all reasoned expectation. Until this weekend it had been 12 years since a driver was killed while competing in a grand prix; a decade since one died in testing. That is almost 200 races, each of about 200 miles. When testing and practice undertaken throughout each year is added in, nearly 1m grand prix miles have been covered between fatalities.

It is no grounds for complacency. But neither is it necessarily a record to be ashamed of, given this is a sport which has as its essence the human control of half-tonne projectiles travelling at up to 100 yards per second – and in which success is measured by how closely the limit of control can be approached without being exceeded.

Central banks in ex-Soviet states remain under the shadow of politicians, says **John Lloyd**

A cry for freedom

A struggle for independence is being waged by central banks in almost all of the states of the former Soviet Union – a battle possibly as momentous as the countries themselves underwent to achieve statehood.

For Mr Michael Bruno, chief economist at the World Bank, a central bank is "the way in which society protects itself against itself".

He made his remarks last week, to a conference mounted by Chicago University's Law School which succeeded in getting most of the central bank governors of the post-communist states together to talk about their problems and listen to western bankers tell them how to protect their banks against their politicians.

The legacy with which they have to cope is that of a Soviet state bank – Gosbank – which monopolised the banking field and was subservient to the Communist party, the government and the ministries. Money allocated to projects and enterprises merely passed though the bank, requiring it to develop no analytical skills; its foreign currency operations, though prudent, were relatively rudimentary; its supervisory functions perfunctory.

The legacy is doubly malign in the non-Russian republics. Gosbank's headquarters in Moscow possessed a tiny corps of highly skilled bankers; its branches in the republican capitals, now independent states, had almost none. "It's very bad when politicians don't understand the basics of the market economy. But when the central bankers don't, then it can be a disaster," says Mr Grigory Marchenko, deputy governor-designate of the Bank of Kazakhstan.

But the largest complaint from the central bank bosses is the political chaos in which they work. Mr Victor Yushchenko, Ukraine's central bank governor, works with a parliament still in the process of elections but tending against reform, a president lacking in authority, legislation to set out the the central bank's remit endlessly delayed, a plunging economy and tiny reserves. "The central bank and the new commercial banks are in a very tough position," he says. "They have to act as champions of change in an environment where most of the government and the large state sector are resisting or slowing such change."

The central bankers' situations are diverse but they agree with great feeling on one thing – that their political masters should not have any right to interfere, either directly or indirectly, through over-politicised appointments.

"The government is always looking for easy money," says Ilman Rimshevichs, the deputy governor of the central bank of Latvia, one of the most successful of the ex-Soviet economies. "In these conditions it's hard to enforce independence and to sell off the state commercial banks which used to supply cheap credit to the enterprises."

At the other end of the scale from Latvia are republics such as Georgia and Armenia, whose economies are ruined and where to talk of existence is more germane than to talk of independence. In Georgia, for example, the currency is close to losing all meaning: from trading at 35,000 to the dollar last November, it fell to 180,000 by Christmas, and to 650,000 at the end of last month.

At still another extreme is Belarus, where an agreement with Russia, signed in April, appears to open the way for the merger of the two Slav states' economies. However,

The largest complaint from the central bank bosses is the political chaos in which they work

Mr Stanislav Bogdankevich, the governor of the country's central bank, is opposed to the deal, saying that Russian and Belorussian interests diverge too much to make union possible and calling for a strengthening of the national currency before any long-term monetary union is contemplated.

Yet, he says, the conditions for a separate, fully-fledged national currency in Belarus are absent and likely to remain so. "Now, 90 per cent of our economy is still state owned. The dominant part of the economy is composed of enterprises with 10,000 or more workers, which make mainly for the Russian or Ukrainian markets. If we let these enterprises go we will get 50 per cent unemployment. Investment in the economy has practically disappeared. We don't need monetary stabilisation: we need a programme which covers the whole economy."

The brightest star in the post-Soviet firmament is Estonia. Its prime minister, Mr Mart Laar, and its central bank governor, Mr Siim Kallas, put the success down to the strength of the bank's commitment to a stable currency. Estonia has linked the Estonian kroon to the German D-Mark and given the bank no discretion to lend to the government. At the same time, the governor cannot be fired and future governors will nominate their own successors. The result has been a hard currency, low inflation (though rising now) and an economy set to grow as fast as any in Europe this year.

For Mr Kallas, the reform showed that "money is seen not just as money, but as a crucial national symbol". Rather more cynically, he confesses that the laws guaranteeing bank independence, linking the kroon to the D-Mark and barring the government from raiding the bank's coffers were passed through parliament "before the deputies quite knew what it all meant".

Russia is still at the centre of the web – though none of its central bankers came to Chicago. Mr Victor Gerashchenko, the present governor, has believed, takes the contrary view to the prevailing credo of most central bankers everywhere else, that his duty is to keep enterprises going even at the cost of high inflation, and has said that he does not believe inflation is directly related to the supply of money in the economy (by contrast, the Estonians believe this with a kind of mystical fervour).

As the "owner" not so long ago of these now "independent" banks, the Russian bank still exercises influence – the more so as Russia seeks to extend its economic union, drawing other states into the same relationship as that it wishes to have with Belarus. Mr Thomas Wolf, deputy director of the International Monetary Fund department concerned with east Europe and the former Soviet Union, noted that after the Soviet collapse, the former states tried to do two contradictory things – to build up their national currencies and to discuss with the Russian central bank how best to draw their economies closer.

This tension remains. For the central bankers, the success of Estonia and Latvia is less of a beacon than a train disappearing over the horizon – which they have missed. Unlike Mr Kallas, they were unable – or unwilling – to get change in place early while the industrial and other lobbies were disoriented. Now they must seek change in the worst kind of circumstances and many of their political leaders are tempted to lean on Russia. The Chicago gathering showed the bankers want to pursue independence: but it showed, too, how far they remain under the shadow of politics.

OBSERVER

Summertime blues

■ Volkswagen supervisory board chairman Klaus Liesen must be heartily sick of the López affair. Dragged back early from his Majorcan holiday last summer when the industrial espionage case first blew up, he has been grumbling that the investigation may dish plans to freshen the tan this year too.

That particular grim prospect dawned during last Thursday's interview with US justice department officials in London – a meeting which Liesen decided to attend, the alternative being an invite to America under subpoena.

While German investigators are still ploughing through the data seized from VW last August, fleeter-footed Washington sleuths have arrived on their back doorstep.

Following an exchange with his questioners about the hiring of Basque production genius José Ignacio López de Arriortúa from General Motors last spring, Liesen agreed willingly to further interviews – on similar, any time, anywhere, terms.

Holiday or none, the grizzled Prussian lawyer wants to be helpful, you see. With retirement looming from his main job as chairman of Ruhrgas, it's in his interests to try and look as upright and effective a non-executive as possible.

But he far from relishes the thought of having to remain on base for many a week to come. Making himself available at Ruhrgas's head office, on the other hand, might speed up proceedings. One visit to Essen is normally enough for almost any visitor.

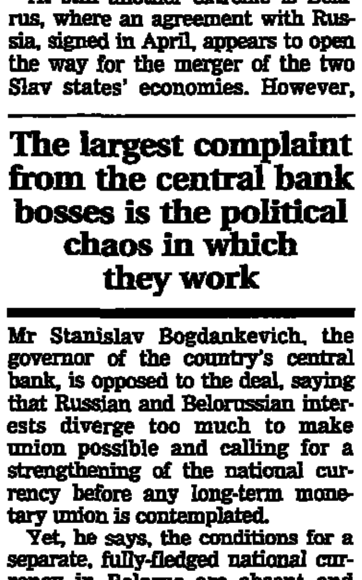
Fast forward

■ Whatever can have cropped up in Lord Parkinson's diary last week that prompted the Thatcherite, profoundly Euro-sceptical Conservative Way Forward, of which he is chairman, to postpone the launch of its new manifesto?

Fielding Parkinson as its excuse for the sudden scheduling problem, the group says it is now postponing publication until mid-June.

By then, of course, the local and European elections will be comfortably – or uncomfortably – behind John Major and his party.

Even if CWF had a less than totally free hand in the rearrangement, it may still have the last laugh, though. The worse the conservatives fare in the polling, the more plausible becomes



the new manifesto as a recipe for averting disaster in the next general election.

Whips' cream

■ As European members of parliament prepare to vote on the ticklish subject of EU enlargement tomorrow, spare a thought for the whips feverishly trying to ensure a respectable turnout.

Unlike their domestic counterparts, the bully boys of Strasbourg suffer an embarrassing paucity of sticks and carrots. With a houseful of backbenchers and no cabinet, how can you reward the dutiful – and more pertinently, punish the wayward?

Conservative chief whip Lord Inglewood has learned one or two tricks since he took up his birch at the beginning of the year.

The division of committee spoils in the next parliament is one focus of considerable interest, for instance.

Apparently the real bogey for conservatives is – un-PC thought coming up – being assigned to the women's rights committee.

For the Labour party, it's legal affairs. "I'm on that," Inglewood reveals.

An equally effective tool, he goes on, is the lure of a place on one of the "interparliamentary delegations" – the most popular junkets being to the US or China.

Yep, MEPs are uncomplicated beasts, really.

Number one

■ Persuading Yassir Arafat to break from the last detailed negotiations of the peace talks with Israel was no mean feat on the part of Daimler-Benz, which yesterday wooed the PLO leader to Stuttgart.

The idea was to signal the support of Germany's biggest industrial empire for the peace process – though just how far there is still to go was obvious from the cavalcade of 17 heavily-armoured four-tonne Mercedes limousines accompanying the visitor.

Seeing that Arafat is not quite a head of state yet, he misses out on the traditional Daimler gift of a Merc. Instead, he came away with the promise of funding for a kindergarten – for "the future of Palestine" – as well as cash for a study on establishing the transport infrastructure of the future state.

Gleaming new roads to carry all those future trucks and buses, no doubt. Even for Edzard Reuter, the socially-conscious boss of Daimler, the profit motive is never entirely absent.

Oh golly

■ Pretoria-Witwatersrand-Vereeniging hardly trips off even a South African tongue. Hence the search for a more euphonic handle to fit the sprawling conurbation around Johannesburg, one of the nine new provinces. "Egoli", meaning "place of gold", and the name given to Jo-burg by black mineworkers, was an early suggestion. But then, what would non-white residents of Egoli be called? Quite. The search continues.

FINANCIAL TIMES
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Arrest warrant out for Berlusconi executives

Milan magistrates back inquiries into Fininvest

By Robert Graham in Rome

Investigations by Milan magistrates into the affairs of Mr Silvio Berlusconi's Fininvest empire have resurfaced just as the media magnate begins the final stages of consultations to form a government.

Yesterday a civil liberties court approved a request by the Milan public prosecutor for an arrest warrant to be issued against Mr Marcello Dell'Utri, head of Fininvest's advertising arm Publitalia, and two other senior officials in the group on charges of falsifying accounts.

Mr Berlusconi described the court's move as a "huge mistake". Mr Dell'Utri's lawyers have challenged the decision and the matter now goes to the appeal court.

The incident has shown that magistrates are still investigating Fininvest, which was controlled directly by Mr Berlusconi at least until last autumn and the chairmanship of which he relinquished only in January.

Mr Dell'Utri, a long-time associate of Mr Berlusconi, was the principal figure behind the organisation of the businessman's Forza Italia political movement, which relied heavily upon Publitalia's contacts and offices.

The charges emerged in March during the election campaign and relate to alleged illicit payments made for transfers of football players to Mr Berlusconi's AC Milan. A lower court rejected the validity of the arrest warrant requests.

The court's decision came two days after two Milan magistrates publicly rejected overtures from Mr Berlusconi to join his new government. In particular, Mr Berlusconi had been trying to persuade Mr Antonio Di Pietro, the best known of the anti-corruption investigators, to accept the interior ministry, justice ministry or become head of the police.

Opinion polls consistently show Mr Di Pietro to be the most popular figure in Italy. In announcing the refusal to switch to politics, the anti-corruption magistrates reiterated their commitment to pursue investigations.

They backed that up by issuing a request to send 37 politicians, businessmen and intermediaries for trial for involvement in the "mother of all bribes" – the L150bn ($91m) paid out to permit the Ferruzzi-Montedison group run by the late Raul Gardini to pull out from its Enimont chemicals joint venture with Eni, the state oil concern.

The politicians include former Socialist leader Bettino Craxi and Mr Arnaldo Forlani, the former Christian Democrat party secretary, as well as Mr Umberto Bossi, the leader of the Northern League.

In a separate move last Friday, Milan magistrates requested that Mr Berlusconi's younger brother be sent for trial for three alleged bribes totalling almost L1bn, paid to facilitate property deals with Cariplo, the Milan-based savings bank. One of the payments was allegedly made in 1982, before Mr Berlusconi formally transferred his construction and property interests to his brother.

All that suggests that, if Mr Berlusconi gains a vote of confidence for his government next week, he will continue to be dogged by investigative problems related to Fininvest.

Formula 1 safety meeting follows deaths

By John Griffiths

An emergency meeting to consider Formula One safety has been called for tomorrow by the world governing body of motor sport, the Fédération Internationale de l'Automobile (FIA), after the deaths at the weekend of grand prix drivers Ayrton Senna and Roland Ratzenberger.

The move to ascertain as quickly as possible the precise causes of the double tragedy came as tributes were paid around the world to Senna, the 34-year-old triple world champion from São Paulo.

Mr Itamar Franco, Brazil's president, has declared three days of national mourning for Senna, who died of head injuries on Sunday when his Renault-Williams car left the track at 180mph during the San Marino Grand Prix at Imola.

Austrian driver Ratzenberger was killed 24 hours earlier when his MTV Simtek Ford left the track near the same spot at similar speed during practice.

The FIA said last night that tomorrow's meeting in Paris would examine technical, medical, safety and supervisory staff reports, as well as take evidence from team and circuit personnel.

By last night, no firm evidence had emerged of the cause of either fatality, Mr Max Mosley, FIA president, said. Defending rule changes imposed by the FIA which this year have outlawed electronic driver aids, such as traction control to prevent wheelspin, Mr Mosley said there was nothing to link the accidents with the technology ban.

Grand prix drivers are to make their own reassessment of the safety situation at a meeting before the Monaco grand prix in two weeks' time.

Ford and Renault, both major engine suppliers to leading teams, last night supported calls for a further safety review.

An indication that grand prix may now face a period of public controversy came with a strong attack by the Vatican newspaper, L'Osservatore Romano.

High-powered decisions ahead, Page 15

THE LEX COLUMN

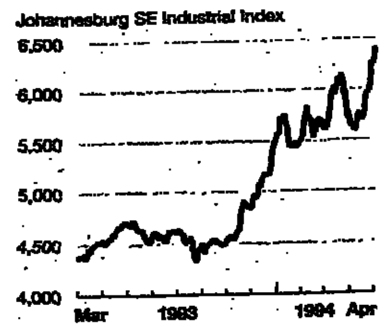
Brave new world

South Africa's capital markets are driven by politics and international investors are busy applauding the country's momentous changes. The stock market has surged in recent weeks and the currency has appreciated strongly against the US dollar. Further waves of euphoria seem likely to push both markets to new heights. But when politics is the dominant investment consideration, unpredictability is certain. Several factors are now critical for the future outlook.

If the ANC ends up with more than 66 per cent of the votes, then many will fear they will override the checks and balances of the constitution. If Inkatha were to criticise the elections for not being free and fair, that too would unsettle sentiment. The financial rand's discount to the commercial rand, which provides a yardstick of international investors' confidence, widened to 38 per cent earlier this month when Inkatha threatened not to take part in the elections. It has since narrowed to 23 per cent but similar instability might ensue if any of the leading economic figures were moved aside.

When misty eyes clear, South African markets will at least be partly underpinned by economic fundamentals. The economy seems poised to enjoy a virtuous circle of increased domestic and international investment combined with an upswing in the commodity cycle. Economic growth may reach 3 per cent this year, doubling in the following year. But the chief worry concerns capacity constraints. South Africa's productive asset base has been worn down by years of autarky. That could produce an upsurge in inflation if demand proves too strong.

South Africa



Source: FT Graphite

European telecoms

The choice of European telecoms stocks has traditionally been so restricted that last week's enthusiasm for the Tele Danmark flotation is hardly surprising. Not only was the $3bn international offering four times oversubscribed but the shares immediately went to a 7 per cent premium. Investors, who have in the past had limited chance to buy telecoms stocks because most are still state-owned, understandably wanted to pile into the Tele Danmark issue.

But with a flood of other European telecoms offerings due over the next few years, repeat performances cannot be guaranteed. Holland's KPN is next in line, with its marketing campaign due to begin this week. Italy's STET, Greece's OTE and Germany's Deutsche Telekom are expected to follow in quick succession. The Portuguese and Belgian phone companies may not be far behind.

With such an abundance of stocks to choose from, investors are bound to become more discriminating. But how are they to decide which offer the best value? Yield comparisons are too crude: Tele Danmark's yield is lower than both BT's and the average of the US Baby Bells, but it has much greater scope to rationalise its operations and so increase dividends. European investors are new to the art of making valuation comparisons between telecom stocks. Their US counterparts are more familiar with the techniques which involve looking at a wide range of yardsticks. US shareholders snapped up a high 41 per cent of the Tele Danmark issue. That looks like smart money spotting a good opportunity.

Eurotunnel

This Friday the sun will shine, the bands will play and the Queen and President Mitterrand will open the Channel tunnel. Eurotunnel's shareholders will be mightily relieved, although they will soon be tapped for yet more funds to stave off bankruptcy. The jaundiced would say that proves it never pays to use equity finance to fund massive infrastructure projects. Most UK institutional investors baled out long ago.

But investors will increasingly have to bend their minds to the discounted cash flow investment models employed by Eurotunnel. Debt-laden governments around the world are considering how to entice private sector finance into infrastructure projects. Corporate financiers are already chattering about the second wave of privatisation as public projects are transferred to the private sector.

In the UK, the private finance working party, chaired by Sir Alastair Morton, should play an important role in leading the debate. The fundamental challenge is to change the Treasury's culture to permit a more attractive balance of risk and reward for commercial investors. The government may have an important part to play in minimising risks and injecting seed corn funds before a project blossoms. Then such projects could develop into ideal investments for fund managers providing a buy-and-forget utility-style asset. It may not be long before they are comparing the investment merits of Thai roads with an investment trust launched to build hospitals in Staffordshire.

Small Companies

Ever since it announced the closure of the Unlisted Securities Market, the Stock Exchange has been in a bind. On the one hand it remains unconvinced that there is sufficient demand to support a separate market for smaller company shares. Yet it is also afraid of fragmentation. Threats by outsiders to set up a market of their own have been enough to spur Mr Michael Lawrence, the exchange's new chief executive, to action.

The plan to build on the success of rule 535.2 – under which the shares of 236 companies are now traded – is sensible enough. But tighter regulations will be required to satisfy European law and attract institutional investors, on whom the liquidity of the new market will depend. It is far from clear that the exchange will be able to find a formula tough enough to satisfy institutions without re-inventing the USM. Since it is keen to avoid that trap, a lightly-regulated market of only limited interest to institutional investors is the likely outcome.

The proponents of a separate market may thus be tempted to press ahead with their own plans, on the grounds that a more heavily-regulated market tailored for smaller companies could be made to work under vigorous independent management. But institutional interest is highly cyclical. NASDAQ, the successful US smaller companies exchange, can draw on a far deeper pool of retail investors. The eventual solution may be a pan-European market on the NASDAQ model. For the time being, all sides are trying to make the best of a bad job.

US encouraged by Syrian plan for Mideast peace

By Julian Ozanne in Jerusalem

The comprehensive peace settlement eluding the Middle East appeared to edge forward yesterday as a result of proposals negotiated between Syria and Israel at the weekend.

Israel said it was listening with "great interest" to Syrian proposals delivered to Mr Yitzhak Rabin, the Israeli prime minister, by Mr Warren Christopher, the US secretary of state. Israeli officials said the offer appeared to mark a new recognition on the part of Damascus to discuss Israel's security needs.

However, Mr Mordechai Gur, Israel's deputy defence minister, poured scorn on Mr Christopher's shuttle diplomacy, saying the US secretary of state had failed to deliver anything that would allow Israel to say they were entering more serious Syrian negotiations.

The usually cautious Mr Christopher said the two parties were now "talking on a comprehensive range of issues" and had entered a "new, more substantive phase".

A breakthrough in negotiations with Syria remains the key to a comprehensive regional peace accord between Israel and its Arab neighbours, including Lebanon and Jordan.

The initiative emerged after Damascus rejected the idea of an Israeli withdrawal from the strategic Golan Heights, occupied by Israel in 1967, which Mr Christopher presented to President Hafez al-Assad in Damascus on Saturday. Israel, hoping that tomorrow's peace agreement with the Palestinians will unblock talks with Syria, had offered Syria a three-stage withdrawal from the Heights.

Israeli media reported that Israel had offered to withdraw in three stages over five to eight years. In the first stage, Israel would hand over some territory, including Druze Arab villages, in return for establishing diplomatic relations and security guarantees.

In the second phase, Israel would dismantle Jewish settlements and consolidate security arrangements, including a large demilitarised zone.

The Israeli proposal, which stopped short of offering a complete evacuation of the Heights, was the first time the Jewish state has offered such a comprehensive withdrawal package.

Syria, however, rejected the Israeli proposals. Mr Farouq al-Shara, the Syrian foreign minister, said the Israeli proposals "did not cause any change in the Syrian position. Full Israeli withdrawal is the basis for the peace process." Mr Shara said Damascus would never accept peace in stages and described reports of the early return of Druze Arab villages on the Golan as "a silly proposal".

However, behind the rhetoric, Israeli and US officials said Damascus had formulated an interesting alternative set of proposals in eight hours of meetings with Mr Christopher on Saturday and Sunday. The Syrian proposals will form a basis for talks with further US mediation.

Mr Shimon Peres, Israeli foreign minister, said: "We have heard with great interest the news the secretary of state has brought back with him ... to digest and analyse the news we got we need more time."

Palestinian and Israeli negotiators yesterday moved "smoothly" towards completing final details of the agreement on Israeli withdrawal from Gaza and Jericho, set for signature in the Egyptian capital tomorrow, Mr Nabil Shaath, the chief PLO negotiator, said yesterday, writes Mark Nicholson in Cairo.

"We are at the gate of a major achievement for our people and for all the people in this part of the world," Mr Shaath said. He said there was no reason to believe the ceremony would be delayed and that the final Israeli withdrawal would begin "immediately" thereafter.

The first 1,000 of an eventual 9,000-strong Palestinian police force were due to arrive in Gaza and Jericho by Friday, Mr Shaath said, adding that some Palestinian members of a joint co-ordination team to oversee the transition of police powers left Cairo for Gaza yesterday.

Palestinians to have right to set up stock market, Page 5

Dollar

Continued from Page 1

held on to this level during early US trading, up from last week's close of Y101.65.

Near midday yesterday in New York, the US currency was trading weakly against the D-Mark at DM1.6483, down from a close of DM1.654 the previous session. The Fed's move to support the dollar against the German currency on Friday came when it touched DM1.645.

FT WEATHER GUIDE

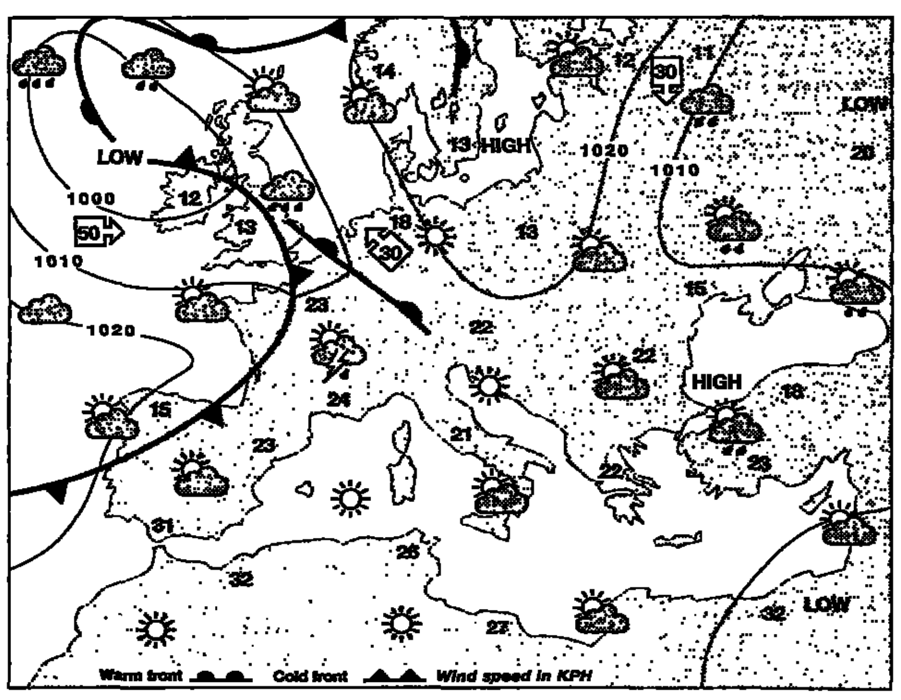
Europe today

A low pressure area near Ireland will draw cool and rather unstable air inland from the Atlantic, resulting in cloudy skies and outbreaks of rain in the UK and northern France. A high pressure area over southern Scandinavia will promote dry conditions in Sweden, Norway, Finland and central Europe, where temperatures will be near or slightly above normal.

Occasional showers will linger in the southern parts of Greece, while the Balkan states will remain dry and quite sunny. Eastern Europe and parts of Turkey will experience scattered thundery showers. Warm conditions will continue over the western sections of the Mediterranean. Southern Spain will reach 30C once more, but sea breezes will cool the coastal areas.

Five-day forecast

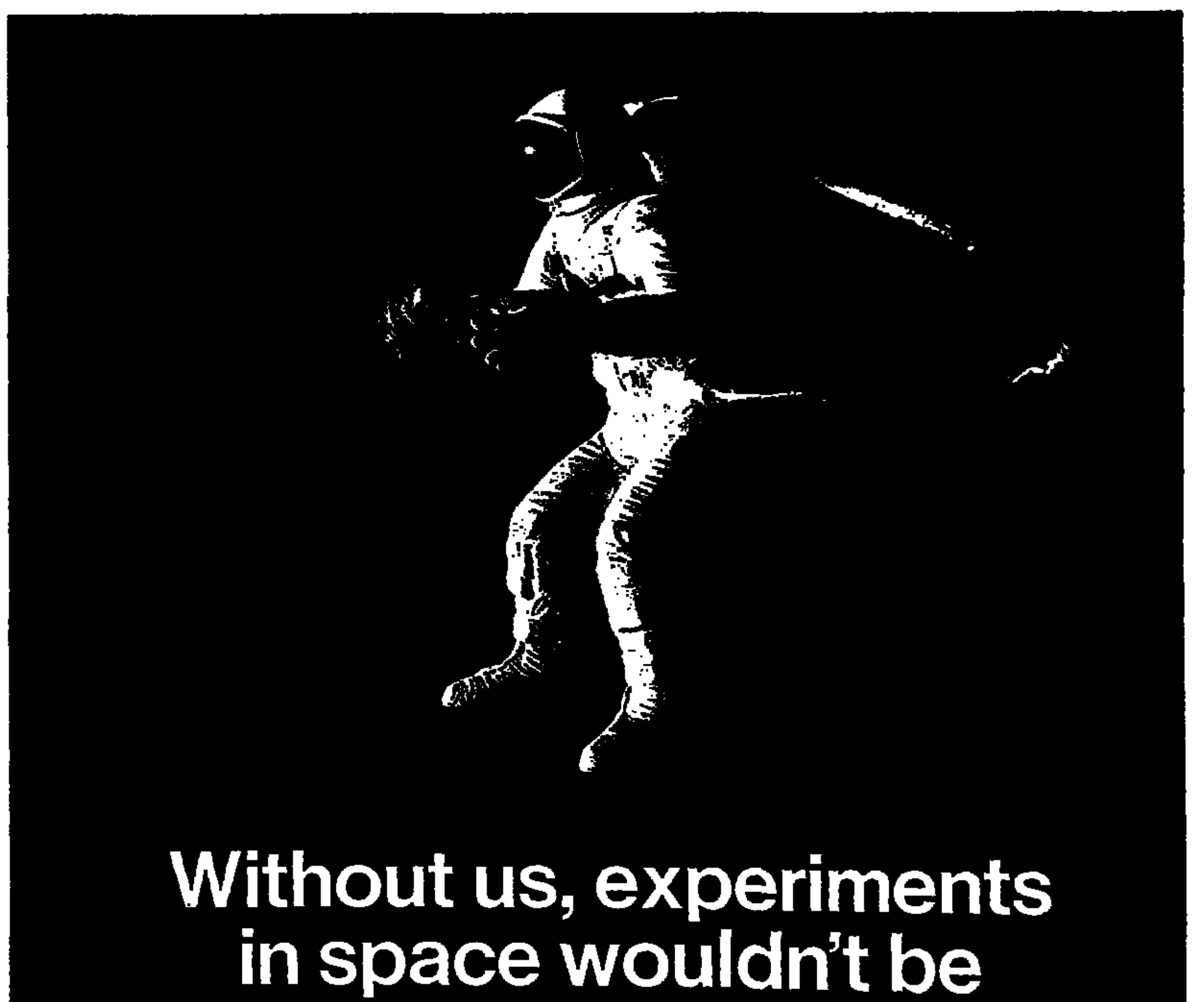
Depressions over the Atlantic will increase their influence over the UK, the Low Countries and France until Friday. Southern Europe will remain mostly dry and sunny as will Sweden and Finland. Central Europe will have unsettled conditions at first, though it will be dry at the weekend. Eastern Europe will continue to be unsettled and cool.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	40
Accra	fair	31
Algiers	sun	27
Amsterdam	fair	21
Athens	shower	22
Atlanta	rain	16
B. Aires	cloudy	23
B.ham	rain	15
Bangkok	shower	38
Barcelona	fair	23
Beijing	rain	17
Belfast	rain	14
Belgrade	fair	20
Berlin	sun	18
Bermuda	cloudy	25
Bogota	cloudy	19
Bombay	fair	32
Brussels	fair	23
Budapest	fair	19
C.hagen	sun	14
Cairo	cloudy	32
Cape Town	cloudy	18
Caracas	fair	26
Cardiff	shower	13
Casablanca	sun	26
Chicago	fair	18
Cologne	fair	26
D' Salaam	shower	30
Dakar	sun	29
Dallas	thund	20
Delhi	sun	40
Dubai	fair	41
Dublin	rain	13
Dubrovnik	fair	22
Edinburgh	rain	11
Faro	fair	26
Frankfurt	sun	25
Geneva	fair	25
Gibraltar	sun	26
Glasgow	rain	14
Hamburg	sun	18
Helsinki	fair	13
Hong Kong	fair	30
Honolulu	fair	29
Istanbul	fair	17
Jersey	shower	14
Karachi	sun	35
Kuwait	fair	37
L. Angeles	fair	20
Las Palmas	fair	24
Lima	fair	24
Lisbon	cloudy	24
London	shower	17
Lux.bourg	fair	24
Lyon	cloudy	27
Madeira	cloudy	22
Madrid	fair	31
Majorca	fair	27
Malta	sun	24
Manchester	rain	16
Manila	thund	35
Melbourne	cloudy	17
Mexico City	shower	26
Miami	fair	30
Milan	fair	24
Montreal	fair	13
Moscow	rain	11
Munich	sun	21
Nairobi	thund	23
Naples	fair	23
Nassau	fair	29
New York	sun	20
Nice	fair	20
Nicosia	shower	23
Oslo	fair	16
Paris	thund	24
Perth	fair	29
Prague	sun	18
Rangoon	cloudy	31
Reykjavik	cloudy	9
Rio	cloudy	23
Rome	sun	21
S. Frsco	fair	19
Seoul	shower	17
Singapore	shower	31
Stockholm	fair	14
Strasbourg	sun	27
Sydney	fair	23
Tangier	fair	25
Tel Aviv	cloudy	27
Tokyo	fair	22
Toronto	sun	17
Vancouver	fair	15
Venice	fair	22
Vienna	fair	20
Warsaw	fair	14
Washington	fair	20
Wellington	fair	14
Winnipeg	rain	11
Zurich	sun	24



FINANCIAL TIMES
COMPANIES & MARKETS

Tuesday May 3 1994

UK bank reveals a City secret

By Robert Peston in London

Lazard Brothers has been forced to tell one of the last great City of London secrets, which is precisely how much capital this most discreet merchant bank has in its hidden reserves and how much profit it makes.

Buried in a footnote to accounts filed at Companies House is the disclosure that it has £34.75m ($50.66m) in hidden reserves and total shareholders' funds of £163m. Pre-tax profits in 1993 were £40m.

It has lifted the veil, with the greatest reluctance, because an amendment to the UK Companies Act this year required all British banks to end the practice of making undisclosed transfers to secret inner reserves to disguise true profits and capital.

Most banks dispensed with the practice years ago, but Lazard's coyness in revealing all was probably prompted by a concern that outsiders might be disappointed by what they would see. Its assets are far smaller than British rivals SG Warburg and Schroders and tiny compared with Goldman Sachs of the US.

Warburg had shareholder funds of £889.4m at the year end of March, 1993, and reported pre-tax profits of £148.2m. Schroders had shareholder funds of £674.5m at the end of 1993 and reported pre-tax profits of £195.8m.

However the Lazard return on assets has normally been above average and last year 24 directors and executives earned more than £230,000 each. The chairman, Mr David Verey, received £812,000 in remuneration.

Lazard is part of an international partnership consisting of the more profitable Lazard Freres in New York together with the original Parisian bank, neither of which disclose figures. Pearson, owner of the Financial Times, has an interest in all three siblings.

The UK government enacted the bank accounting reform in anticipation of a change in European Community law. However, to Lazard's great irritation, this EC reform has not materialised. As a result, its continental peers, including Lazard in Paris, can still disguise their profits.

IBM to shake up its PC division

By Louise Kehoe in San Francisco

International Business Machines is to change the senior management of its $11bn personal computer business which is facing intense competition.

The changes come at a critical time for IBM's PC business, where sales rose 40 per cent last year to achieve a 12 per cent share of the worldwide market, according to market analysts. However, IBM is believed to have lost ground to Compaq Computer in the first quarter.

Mr Robert Corrigan, president of IBM PC, who led a restructuring of the PC business that has led to a strong resurgence in sales, will retire.

His responsibilities for running IBM Personal Computer go to Mr Richard Thoman, a former Nabisco International and American Express marketing executive who joined IBM last year. Mr Thoman's career moves have followed those of Mr Lou Gerstner, IBM's new chairman and chief executive, who also formerly worked at RJR Nabisco and American Express.

Mr Thoman will now be responsible for the IBM PC company; the Power Personal Systems division, which is developing a generation of PCs based on IBM's microprocessor technology; and IBM's printer divisions.

In other management changes, IBM assigned worldwide responsibilities to senior executives for marketing, product development and finance. Previously, these duties had been divided along geographic lines.

IBM also announced the appointment of Mr Anthony Santelli, formerly head of product development for the IBM PC company, to general manager of the Power Personal Systems division.

IBM said Mr Corrigan had decided to retire at the end of last year, but agreed to stay on to assist Mr Thoman in the management transition.

Mr Thoman, who has no prior technology experience, is expected to bring a more consumer-focused approach to IBM's PC business. By taking direct responsibility for the PC operations, and effectively eliminating a layer of management, Mr Thoman has also created a direct link between the erstwhile "independent" IBM PC company and IBM's central corporate executive committee, which is responsible for corporate strategy.

Christopher Brown-Humes analyses the power of the Wallenberg empire

Keeping Sweden in the family

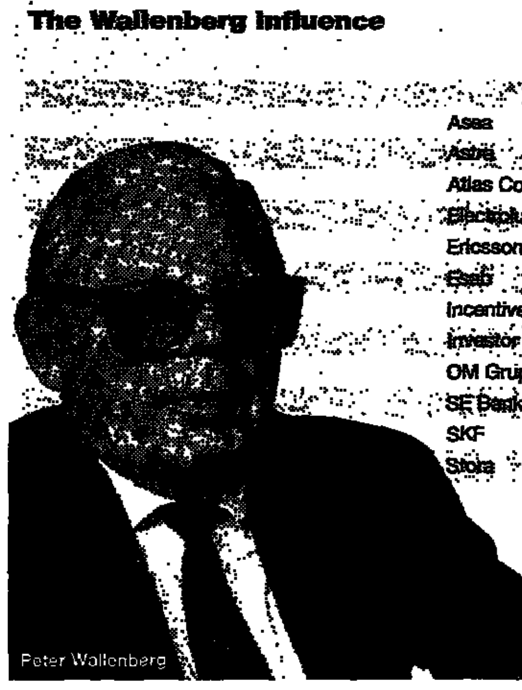
If anyone thought the Wallenberg family's grip on corporate Sweden might have been weakened by the country's deepest recession since the 1930s, last week they learned otherwise. The country's most famous industrial dynasty signalled it was back on the offensive when Incentive, one of its key companies, launched a $1bn (SKr8.4bn) bid for the investment group Cardo. A successful strike would give it control of Gambro, a medical equipment specialist and one of Sweden's fastest growing companies.

The impact of this spectacular Wallenberg foray, after several quiet years, has been accentuated by the refocusing strategy just unveiled at Volvo, Sweden's leading industrial group. Volvo has abandoned the empire-building strategy of its former chairman Pehr Gyllenhammar. It no longer makes any pretence to being a counterweight to Wallenberg influence, as it was in the 1980s when the two titans were at each other's throats in their drive for corporate dominance.

"The Wallenbergs are relatively speaking in a much more dominant position today than they have ever been," says one close observer of the family's activities.

No doubt it will have given Peter Wallenberg, dynasty patriarch, considerable satisfaction that the Cardo bid came after Incentive had first snapped up a 44 per cent stake in the group from Volvo. Volvo used to be one of the few Swedish multinationals from which Wallenberg influence was excluded. Even that changed earlier this year with the appointment of two Wallenberg men to the Volvo board – including its chairman – following Mr Gyllenhammar's resignation last December.

The Wallenberg influence



Peter Wallenberg

	Capital (%)		Votes (%)	
	Wallenberg	Foreign	Wallenberg	Foreign
Asea	25.0	16.7	32.9	6.9
Astra	16.2	37.9	12.0	33.6
Atlas Copco	16.5	25.4	23.4	24.7
Electrolux	6.4	32.4	94.1	2.0
Ericsson	43.8	3.4	38.9	0.6
Esab	42.7	1.8	48.6	2.7
Incentive	28.7	5.2	37.6	1.5
Investor	24.2	10.2	41.0	4.7
OM Gruppen	20.9	12.5	20.9	12.5
SE Banken	8.0	19.9	8.1	20.2
SKF	14.1	40.2	31.9	2.2
Stora	22.4	16.4	27.2	9.3

Source: 'Owners and Power in Sweden's Listed Companies' by Sven-Ivan Sindqvist

Today the only grouping that provides any sort of counterweight to the Wallenbergs is Svenska Handelsbanken, which through Industrivärden has big stakes in telecommunications giant Ericsson, forestry concern SCA and Aga, the industrial gas group. However, Handelsbanken's influence is modest by comparison.

The scale of the Wallenberg empire is clear from the large number of Swedish blue-chips either directly controlled or influenced. One estimate suggests the family controls as much as 40 per cent of the Stockholm stockmarket or companies with total annual sales of SKr450bn.

This strength is entrenched in a two-class share system which gives one class much bigger voting powers than the other. Hence Wallenberg companies can control 94.1 per cent of Electrolux, Europe's leading maker of white goods, with only 6.4 per cent of the capital. By contrast, foreigners, who have been huge buyers of Swedish shares in the last two years, gain only 2 per cent of the votes in Electrolux with 32.4 per cent of the capital.

The Wallenbergs have shrugged off the Swedish recession and financial sector crisis much more quickly than anybody expected a year ago. In early 1993 Investor, the flagship holding company, was saddled with huge debts and losses within Saab-Scania, its wholly-owned automotive and aerospace unit. Many analysts felt a big sale would be needed – possibly the company's stake in high-flying pharmaceutical group Astra – to restore its battered balance sheet.

The big sale never materialised. Debts were driven down sharply, but through a series of smaller disposals, which did very little to erode the group's overall voting power. At the year-end Investor's net debt had fallen to SKr4.85bn from SKr8.7bn. Further strengthening of the balance sheet came in March when the group launched a SKr3.45bn bid for its stablemate Export-Invest in what was essentially a giant share issue.

Incentive's strike for Gambro emphasises a new Wallenberg strategy. It aims to shift the family's basic industry bias, through investments in forestry, engineering and so on, towards high-growth areas. Investor's purchase of a 25 per cent stake in TV4, Sweden's only commercial terrestrial television channel, is another example of this trend.

More acquisitive moves will follow, but they will be accompanied by further streamlining as the Wallenbergs respond to intensified competitive pressures across their empire. The sheer range of their businesses, and the need to supply capital to them, will almost certainly force them to be more selective. They are, however, in much better shape to meet the challenge with many of their companies benefiting from restructuring and the weaker krona and with dividends flowing into Investor again on the back of corporate profitability.

The question remains, can it be healthy for Sweden to have one family so dominating the corporate landscape? One commentator has suggested "pluralism in Swedish industry is disappearing and that will influence corporate culture and leadership style".

Surprisingly, perhaps, Wallenberg influence does not stir much controversy because the family is widely admired for taking a long-term investment perspective. It is also respected for having avoided the speculative financial investments that characterised Sweden's bubble economy in the late 1980s. More recently, perhaps, a third factor has come into play. With foreigners owning 25 per cent of Swedish shares – more than double the level of two years ago – the Wallenbergs are seen as a stronghold against a foreign takeover of corporate Sweden.

Worry over Asian securities markets

By Alexander Nicoll, Asia Editor

The World Bank has warned of the risk of financial accidents in Asian securities markets because the pace of investment and innovation in them may be too fast for their stage of development.

Mr Gautam S. Kaji, vice president for East Asia and the Pacific, said the region's economic growth was taking place from a low income level and that financial markets lacked basic infrastructure and regulatory structures. They could only absorb limited amounts of money for the time being.

"Private markets in developing countries are by no means perfect," he told a Financial Times conference in London on Asian capital markets.

"Information is imperfectly and unevenly available, and a market failure in this regard can have the most serious consequences, as the debt crisis taught us all."

He expressed particular concern about the use of structured financing and derivatives in Asia's volatile financial markets, in advance of development of national prudential and legal frameworks.

"It frankly worries me to see people pushing high-tech derivatives in markets that lack even well-developed Treasury bill trading."

The World Bank supported the privatisation programmes of Asian countries, including stock market placements. But Mr Kaji noted that "in a number of these countries, the capital markets are not deep enough to absorb many new placements."

"These markets still lack instruments and experience, not to mention basic accounting conventions and disclosure rules."

Mr Kaji acknowledged however that privatisation issues also helped to deepen and develop stock markets. He urged governments to hasten the development of capital markets especially because they will be needed to help fund massive investment in physical infrastructure to keep pace with rapid economic growth.

Emerging markets, Page 24

Markets this week

Starting on page 21

BRONWEN MADDOX:
GLOBAL INVESTOR
The only survival game at present – and it is hardly an enjoyable one – is to dig hard for the few surprises in future earnings growth that remain. Page 21

PETER NORMAN:
ECONOMICS NOTEBOOK

Derivatives have attracted the hostile attention of politicians and regulators after recent bond market turbulence and news of corporate losses. But sophisticated financial techniques can yield economic benefits, especially for commodity exporting countries which can protect their economies from wild price movements. Page 21

Bonds:
After last year's effortless run, the Bank of England may find selling gilts to fund the UK's public sector borrowing requirement more challenging this year.
Page 22

Equities:
Market strategists are asking why, at a time of rising dividends, UK equities cannot separate themselves from the troubled bond markets. Page 23

Emerging markets:
Does the downward correction in Asian markets during the first quarter mean a hasty end to foreign investors' enthusiasm for them? Almost certainly not.
Page 24

Currencies:
This week could see battle joined between the foreign exchange market and the US Treasury. The dollar will be the focus of attention.
Page 24

STATISTICS

This week: Company news

PHILIPS

Close-to-home markets vital to upward trend

Signs of hesitant recovery in Europe should allow Philips, the Dutch electronics group, to report a rise in first-quarter net profit when it publishes its figures for early 1994 tomorrow.

Philips' strong performance in 1993, achieved despite continued economic weakness in Europe, was due mainly to higher operating results in North America and Asia. But the company's ability to extend the upward trend in earnings still depends on the recovery of markets close to home, especially recession-hit Germany.

The first-quarter improvement is expected to rest on a combination of increased demand in some businesses and continued successes in bringing down financing charges through further reductions in group debt.

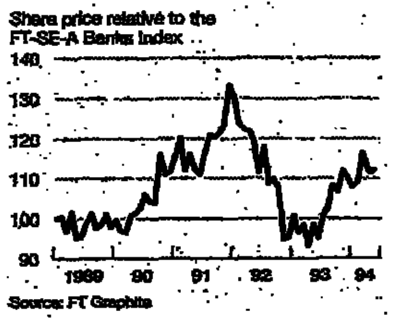
The rise will also be aided by the fact that the 1993 first quarter had been relatively weak, with net profit declining to Fl103m ($54m) from Fl162m in 1992. Some analysts say an increase to Fl200m or more should be possible for the 1994 first quarter, though much will depend on the company's performance in Germany. Grundig, the German consumer electronics manufacturer controlled by Philips, is expected to have remained firmly in the red. At the same time, lower investment in telecommunications in Germany will also probably have continued to plague Philips in early 1994.

The better-than-expected 1993 results, announced in March, have helped propel the company's shares above Fl55 for the first time since 1987.

The financial markets' confidence in Philips has also been boosted by the company's decision to pay a small dividend for the first time since it embarked on radical restructuring in 1990. This should make it easier for Mr Jan Timmer, president, to face shareholders at the annual general meeting in Eindhoven on Thursday.

Bank of Scotland

Share price relative to the FT-SE-A Banks Index



Source: FT Graphite

BANK OF SCOTLAND

Mortgage operation should boost revival

This week should see the revival of the Bank of Scotland, whose good reputation slipped slightly last year when it announced an 11 per cent fall in pre-tax profits. The results for the year to February 28 on Thursday are expected to reflect both a fall in provisions for bad and doubtful debts, and an increase in pre-provision profits.

Most analysts expect pre-tax profits to rise to £250m-270m, and forecasts extend up to £285m ($416m). They are sharply up on the equivalent for the previous year of £125.3m.

Last year's figures included a 45 per cent rise in provisions for bad debts.

Apart from the drop in provisions, as a result of a fragile recovery in the housing market, the bank has also had an opportunity to reap a full year's benefits from being able to widen its margins in its sizeable mortgage lending operation. That widening was an element in raising the bank's interim pre-tax profits announced last October by 58 per cent to £117.6m.

The cost-income ratio reported in the interim results fell to just below 50 per cent, and could fall slightly further, if it is able to expand its mortgage business.

The bank has been one of those identified as considering buying a building society. This would be one way of accelerating its growth, but the bank will not want an acquisition that would threaten its efficiency.

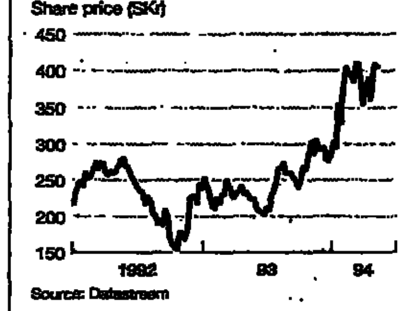
OTHER COMPANIES

US performance set to boost Electrolux

Electrolux, Europe's leading white goods manufacturer, will show the benefits of a strong US sales performance and a bottoming out in Europe when it presents its first quarter figures on Thursday (May 5). Analysts believe profits could exceed SKr600m ($76m) for the period, compared with SKr202m last year.

Electrolux

Share price (SKr)



Source: Datastream

■ **Creditanstalt Bankverein:** Austria's second largest bank will publish annual results today. These are expected to show a strong growth in earnings for 1993 due to a steep rise in trading activity. The state has a 49 per cent stake in Creditanstalt but over 70 per cent of the vote, and the bank is waiting for the government to decide on its privatisation which is expected this year.

■ **BAT Industries:** First-quarter figures tomorrow are expected to show a healthy rise from £354m pre-tax to about £385m ($562m). Despite the much-publicised war on smoking in the US – which BAT defied this week by buying American Tobacco for $1bn – its tobacco profits may be around the same as last year. The real profits increase will come from insurance, through further recovery by Eagle Star from its upsets in mortgage indemnity and through real progress at Allied Dunbar in the UK and Farmers in the US.

■ **BP:** The UK based international oil company reports its first-quarter results on Thursday. The weak oil price – $4 a barrel lower – is likely to be counteracted by benefits from cost-savings, strong downstream margins in the US, lower interest charges and a swing back to profits in chemicals. Pre-tax profits will be about £250m ($365m), against £231m last time and £315m in the fourth quarter.

■ **Stora:** Europe's biggest pulp and paper group, is today expected to announce profits of around SKr400m ($51m) for the first quarter, excluding a big capital gain from the sale of its Tarkett flooring subsidiary. The group has been able to turn round last year's SKr78m loss thanks to firming prices and cost-cutting.

■ **Body Shop:** Overseas growth, especially in the US, is expected to boost Body Shop International's final results when they are revealed on Thursday. Pre-tax profits are likely to rise from £21.5m to between £25m and £27m ($39.4m), with UK operating profits a little ahead of last time's £11.2m. The US should pitch in about £4.5m (£2m, though this was affected by the move of the headquarters to North Carolina). The dividend should rise from 1.7p to at least 1.85p.

Companies in this issue

Rowntree shuffles pension fund team

By Norma Cohen, Investment Correspondent

Nestlé Rowntree, the UK arm of the international food group, has dropped the three external fund managers of its pension fund and consolidated management of the £1.3bn scheme with its in-house investment team.

The external managers were Mercury Asset Management, which had the single largest portion, PDFM and Barings Investment Management. The fund, one of the 50th largest in the UK, will be looking, however, for an external manager for its investments on the Pacific Rim and Japan.

Mr Gordon Thomson, Nestlé Rowntree investment manager, said that following a review the company found that the in-house team had outperformed the combined external managers over the past six years.

He added that the company also wanted to have greater control over asset allocation, deciding what proportion of the scheme should be invested in which assets.

New minimum solvency requirements were likely to require schemes with large numbers of current or deferred pensioners to invest a greater proportion of their assets in fixed-interest securities. Mr Thomson said Nestlé Rowntree had not yet decided whether it needed to restructure its asset mix but would be meeting its actuaries this week to consider the matter.

Mr Thomson said the review followed a consolidation of the Nestlé and Rowntree pension schemes, which had been run separately since Nestlé's takeover of Rowntree with the latter retaining its own internal fund management team.

Retail investors shun biotech trust launch

Retail investors have largely spurned the opportunity to acquire shares in International Biotechnology Trust, recently launched by Rothschild Asset Management.

They have applied for 2.67m shares (with warrants) out of about 25m on offer in the public offer for subscriptions, which closed on April 29.

The disappointing level of applications reflects, and follows hard on the heels of, the applications by institutional and other investors. Here, some £35.1m was raised – less than half the targeted amount.

The public element represented about one quarter of the £100m that RAM and Robert Fleming, the sponsor, had originally hoped to raise from the trust's launch. In total only £37.7m was raised.

However, Mr Jeremy Curnock Cook, a RAM director and leader of the advisory team, remained bullish, saying: "Against a background of difficult market conditions, the total sum raised . . . is satisfactory for a specialist fund . . . and I am confident our timing is excellent."

The trust is to focus on the flurry of recently floated biotech companies, most of which are trading at a discount to their issue price.

Northern Leisure healthcare sale

Northern Leisure, which has been trying to dispose of RealCare, its nursing homes business, since 1992, yesterday announced plans to sell it to Midland Assets for £1.9m cash.

Midland is a new company chaired by Mr Nicholas Oppenheim, who is also vice-chairman of Northern. It intends to raise £2.4m via a placing and intermediaries offer of 17m shares at 14p apiece. Thereafter it will seek a full listing.

Mr Oppenheim said RealCare, which made pre-tax profits of £212,000 in the year to August 31, had four nursing homes. He added that a "relatively modest" additional capital expenditure would improve its profitability.

Chesterton Intl flotation shows valuation of £50m

By Simon Davies

Chesterton International, one of the UK's leading property consultancies, is to be floated on the stock market in early summer with a value of more than £50m.

It is expected to become the UK's largest listed property agency.

The company will issue a small number of new shares, but the majority of the expected £25m placing will come from outside shareholders – primarily former employees – who own 33 per cent of the company; assuming they are prepared to sell.

Chesterton made pre-tax profits of £3.9m in the year to June 1993, but brokers suggest that profits will comfortably exceed £5m in the current year.

Mr William Wells, chairman, said the flotation was a logical move for a company which has encouraged employee ownership of its shares, and which had also funded the bulk of its acquisitions through scrip.

Chesterton has acquired 23 property consultancies in the UK since 1985 and around 50 per cent of its UK earnings came from outside London last year. The company was founded in 1805, but its current shape stems primarily from 1986, when it sold its substantial residential estate agency business to the Prudential for "a very nice price".

Mr Wells said the company had "taken the view that you either had to be a small niche business, or a large international player". It opted for the latter.

Last year, around 70 per cent of its turnover came from a broad range of professional advisory fees. The remainder came from brokerage fees, an area which should pick up sharply with the increasing activity in the commercial property market.

Mr Wells said Chesterton had invested £7m in building up its international network in the past few years, and this should also be a source of growth.

The company has a broad client list ranging from Marks and Spencer to the Crown and Church. The latter has diminished in importance since the £800m decline in the Church's income producing assets to £2.16bn, mainly because of speculative property losses. Chesterton has been cleared of responsibility.

The timing of the flotation should be good. The only other large listed property consultancy, Debenham Tewson & Chinnocks, trades on a p/e ratio of 25, reflecting anticipated earnings growth as the property market recovers.

However, with only £6m of shareholders' funds, Chesterton's assets, as the cliché has it, are its employees. The company needs to show that these assets will not sell their shares and leave.

The flotation is sponsored by Robert Fleming, and Société Générale Strauss Turnbull Securities are brokers.

My Kinda Town heads for the City with £24m price tag

By Simon Davies

The Chicago Pizza Pie Factory and Henry J Beans are coming to the City, through the flotation of the restaurant owner and operator My Kinda Town, which will have an initial market capitalisation of £24.25m.

Around 90 per of the company is to be sold off through a placing, and subsequent rights issue, and the directors will retain 10 per cent.

The initial venture capitalists have been bought out.

MKT was formed in 1977 with the opening of The Chicago Pizza Pie Factory by the colourful American entrepreneur Mr Bob Payton.

It was followed by the Chicago Rib Shack, Henry J Beans, Chicago Meatpackers, Tacos and Salsa!

MKT made pre-tax profits of £1.59m in the year to June 1993, and is forecast to make adjusted pre-tax profits of at least £1.9m this year. The company will have to make a deferred payment of £100,000 to management shareholders if profits exceed £3m in 1995.

MKT has expanded aggressively into Europe, and only 39 per cent of last year's sales were derived from the UK.

It has also built up a substantial network of franchisees, which should account for 20 per cent of profits this year.

It plans to open five new restaurants this year, three in Germany, one in Paris and one in the UK. It currently owns 29 restaurants.

The shares are being issued at 10p and trading will commence on May 9.

The issue is sponsored by Hill Samuel and Credit Lyonnais with Laing acting as broker.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
BAT Industries (UK)	American Tobacco (US)	Tobacco	£685m	Confirming tobacco commitment
GE Capital (US)	Unit of Northern Telecom (Canada)	Financial services	£410m	Debt reduction sale
Compass Group (UK)	Canteen Corp (US)	Catering	£308m	Forced sale by Flagstar
Agco (US)	Massey-Ferguson (UK)	Agricultural machinery	£226m	Cash + paper deal
RTZ Corp (UK)	Colowyo Coal Co (US)	Mining	£160m	Developing coal interests
Airtours (UK)	SAS Leisure (Scandinavia)	Travel	£74m	Move into new market
Fitzwilton (Ireland)	Wellworth (UK)	Food retailing	£45.9m	Lifting stake to 97%
Vasa (Argentina)	Vidrios Lirquen (Chile)	Glass	£20.5m	Pilkington/St Gobain JV move
Unilever (UK/Netherlands)	Kanebo-NSC (Japan)	Adhesives & Chemicals	n/a	Buying out Kanebo
Simsmetal (Australia)	GF Denton (UK)	Metal	n/a	Expanding UK operations

NEWS DIGEST

Moran in profit with £0.79m

Moran Holdings, the USM-traded tea producer, freight forwarder and property developer which came out of administration in July, reported pre-tax profits of £789,000 for the six months to December 31, against losses of £398,000.

Turnover advanced from £21.9m to £26.7m. Earnings per share were 2.9p (losses 19.01p).

Abtrust Emerging

Undiluted net asset value per ordinary share of Abtrust Emerging Economies Investment Trust, launched by Abtrust Fund Managers last October, stood at 93.06p at March 31.

That was an improvement from the 95.92p after expenses at the launch.

Available revenue for the period from September 24, the date of incorporation, to end-March amounted to £180,538, equal to basic earnings of 0.36p.

Ramus losses up

For the half year ended December 31 1993 Ramus Holdings, the USM-traded ceramic wall and floor tile subsidiary of Hong Leong Group of Malaysia, suffered pre-tax losses of £2.6m, compared with £1.7m, from turnover down at £17.3m against £22.3m.

Losses included £1.5m rationalisation costs, but lower interest of £257,000 (£405,000).

Abtrust Euro

Undiluted net asset value per share of Abtrust European Index Investment Trust, excluding revenue reserves, rose from 77.5p to 91.2p over the year ended February 28 1994.

Earnings were 0.7p (0.53p) per share from an available amount of £238,836 (£182,040), while the final, single dividend is increased to 0.8p (0.3p).

Tate & Lyle

The A$121m (£58m) cash offers made by Bundaberg Sugar, the Australian sugar company owned by Tate & Lyle, to acquire two north Queensland crushing mills, have been allowed to lapse.

This follows a vote earlier this month by shareholders in the South Johnstone Mill who voted against the lifting of the restriction which limits the number of shares which any single investor can hold.

Bundaberg holds a 2.7 per cent stake in South Johnstone – the smaller of the two – but lacks even a small holding in the other, Tully Sugar.

Lendu loss

Lendu Holdings, the Kent-based group involved in irrigated and dryland cotton, cereal and beef cattle production in Queensland, incurred pre-losses of £126,000 for the six months ended December 31.

Exceptional gains of £898,000 together with contributions from a now discontinued activity lifted profits in the corresponding half year to £953,000.

Appleyard buys

Appleyard Group, the motor vehicle supplier, has acquired Clover Leaf Cars, a Hampshire-based car dealer, for £9.75m cash.

The company has eight dealerships and in the year to March 31 1993 reported pre-tax profits of £400,000 on turnover of £42.6m. Net assets at the end of the period were £7.1m.

Appleyard reported that the present year had started well with much improved profits. The after market remained firm and used car demand was strong.

Cap and Regional

Capital and Regional Properties has acquired a 24.9 per cent stake in Lanham, a specialist retail warehouse and food superstore developer.

As part of the deal Capital has subscribed to a convertible loan stock and has provided a working capital facility, making a total investment of £400,000.

Capital has also agreed to provide Lanham with a mezzanine loan facility of up to £3m in order that Lanham may retain a number of developments as investments.

Arcon cleared to develop mine

By Tim Coone in Dublin

Arcon, the Irish exploration company in which Mr Tony O'Reilly, the chief executive of the Heinz food group, holds a 23 per cent stake, has received final planning permission to develop its 6.2m tonne zinc/lead ore deposit at Galmoy in Ireland.

Once brought into production at an estimated development cost of some I£65m (£63m), the mine is anticipated to be one of the lowest-cost zinc mines in the world due to the proximity of the ore to the surface, and will rank alongside Europe's largest.

The reserves have an average grade of 11.31 per cent zinc and 1.12 per cent lead, and will be extracted over a 10-year period.

The directors expect construction work to begin this August or September, and for the mine to come into production in early 1996. Debt financing was being put in place but a rights issue was not ruled out to finance part of the development cost.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 02.05.94: Pool purchase price £/MWh	Final Prices for Trading on 04.04.94: Pool purchase price £/MWh	Pool selling price £/MWh
[illegible]	[illegible]	[illegible]	[illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 02.05.94: Pool purchase price £/MWh	Final Prices for Trading on 04.04.94: Pool purchase price £/MWh	Pool selling price £/MWh
[illegible]	[illegible]	[illegible]	[illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 03.05.94: Pool purchase price £/MWh	Final Prices for Trading on 03.04.94: Pool purchase price £/MWh	Pool selling price £/MWh
[illegible]	[illegible]	[illegible]	[illegible]

... no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:15pm Monday to Friday.
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MTV to end relationship with Star

By Louise Lucas in Hong Kong and Martin Dickson in New York

MTV Networks, the US-based pop music television programming company, is to launch two wholly-owned channels for the Asian market in the fourth quarter of this year, ending its relationship with Star TV, the Asian satellite television company controlled by Rupert Murdoch's News Corporation.

MTV, a subsidiary of entertainment group Viacom, began broadcasting in Asia in 1991 over the Star TV network with a freely available pan-regional English-language service.

Its advertiser-supported independent service will be launched on the Apstar One satellite, giving access to 18 countries, and will move to the more powerful Apstar Two, to be launched next year, which will expand its access to 30 countries.

One of the networks will be an English language one directed at young people in south Asia, the Philippines and other countries. The second will be Mandarin language service, encrypted so viewers will require a decoder to receive programmes, aimed at countries such as China, Taiwan and Singapore.

MTV's decision to tackle the Asian market independently brings the region into line with Europe, the US and Latin America, where the group has also adopted a go-it-alone policy.

Mr Tom Freston, chairman of MTV Network, said: "The Asian marketplace has enormous potential and is still in the early stages of its development."

Star, which is retaining several of MTV's screen celebrities, will continue to broadcast music with a new service of its own. Programming will split into two versions, one in Mandarin serving China, Taiwan and Hong Kong and the other in English covering India, the Middle East and south-east Asia.

It says its changes "herald a revolution in music television". But analysts, who are taking an increasingly dim view of Mr Murdoch's $525m acquisition of 63.6 per cent of the broadcaster last summer, regard it as further evidence that Star is still groping for direction.

Star is reckoned to be losing around $60m–$80m a year. Last month it axed the BBC in what was seen as a sweetener gesture to China, a market Star is keen to develop.

Earnings to rise by 10% at Henkel

By Christopher Parkes in Frankfurt

Henkel, the German chemicals and consumer products group, expects pre-tax earnings to increase by more than 10 per cent this year following a 3 per cent rise in the first quarter.

Such an increase was possible even though the costs of restructuring in the current period could not yet be accurately forecast, Mr Hans-Dietrich Winkhaus, chairman, said.

Reporting a 1 per cent decline in turnover in the first three months, the company based its optimism on its balanced product portfolio and geographical spread.

Meanwhile, there had been few signs of a convincing recovery in Europe, particularly in consumer goods.

Turnover and earnings in chemicals and special chemicals had improved, while the detergents business had become more difficult partly because of reduced consumer spending power.

Previously-announced plans for the loss of 1,000 German jobs would go ahead, as would the progressive closure of five factories and other sites.

Restructuring costs this year would be markedly lower than in 1993, the chairman said.

The main current project, a DM20m ($11.6m) investment in a 70 per cent stake in a chemicals joint venture in Shanghai, is on the verge of completion.

Star Mining $250m Russian gold investment to go ahead

By Nikki Tait in Sydney

Star Mining, the small Australian exploration company, has signed a protocol in Angarsk, Siberia, which it believed protects its interest in the large Sukhoi Log gold project, and paves the way for its US$250m Russian investment plan to go ahead.

Star said that "in the light of these very positive developments", it expected to release the first US$5m tranche of capital to Lenzoloto, the state-controlled Siberian goldminer in which it holds a minority interest, this week. In Sydney, Mr Graeme Ellis, a director of Star, expected the payment to go ahead tomorrow.

Star, which holds a one-third interest in Lenzoloto (sometimes translated as Lena Gold), has pledged to provide US$20m of "charter capital" to the Russian joint-stock company.

However, the money has been in an escrow account in Moscow while political uncertainties hanging over the Siberian project were negotiated, and the release of technical information related to Lenzoloto was authorised.

Last year Mr Yevgeny Bychkov, head of Russia's precious metals and stones committee, said foreign companies would be excluded from developing the Sukhoi Log deposit, reckoned to be one of the world's biggest gold deposits.

However, Star said it believed the protocol "will resolve all outstanding disputes concerning the development of the ... deposit and the re-registration of mining and exploration licences".

It said it was "expressly agreed" that, while the regional Irkutsk administration and the ministry of atomic energy would participate in the Sukhoi Log development, "this would be done in such a way that Star retains its present shareholding". This amounts to a one-third interest via the Lenzoloto investment.

Although Lenzoloto has operations which produce around 350,000 ounces of gold a year as well as other development projects, these are dwarfed by the Sukhoi Log potential. With the injection of Star's US$250m, the aim is to raise Lenzoloto's annual production to 2m ounces in six years. About three-quarters would come from Sukhoi Log.

Mr Ellis said yesterday Star was likely to seek a secondary listing on the London Stock Exchange in "the near future".

Brash calls in administrator

By Nikki Tait

Brash Holdings, the Australian consumer electronic retailer and once the nation's largest specialist stores group, yesterday called in an administrator after its main bankers – which include ANZ, Westpac and Société Générale – withdrew their support. Brash's shares were suspended on the Australian Stock Exchange at A$2.26.

ANZ said recent developments in Brash's financial condition, coupled with business plans presented by the group last week, failed to provide the banking group with "sufficient confidence" for it to renew a A$61m (US$43m) facility. It added that an independent assessment of Brash's condition was thought desirable.

The voluntary administrators will be Mr David Beatty and Mr Michael Humphris from Arthur Andersen, the accountancy firm. They said yesterday that all options for Brash's will be considered, ranging from a return to normal operations to a winding up of the company.

The company suffered a loss of around A$15m (US$10.7m) in the year to July 1993, on sales of around A$706m. It subsequently pulled out of the loss-making book retailing business but still posted a further, and larger, interim loss last month.

AT&T and Novell form alliance in networking

By Louise Kehoe in San Francisco

AT&T, the US telecommunications company, and Novell, the leader in computer networking software, have formed an alliance to create worldwide inter- and intra-company communications services for businesses.

The new service, called AT&T NetWare Connect Services, will combine Novell's widely-used local area network software with AT&T's telephone network to form a global network of business networks, in effect a "business internet", the companies said.

Business use of the Internet, a global network of computer networks with an estimated 25m users, is rapidly expanding. However, concerns about security and the complexity of using the Internet have limited most business use to electronic mail.

AT&T said its new service will address these problems.

Applications will include workgroup collaboration, information retrieval and manipulation, electronic commerce, distributed computing, messaging and fax services.

"Our alliance with Novell is a significant step in expanding the electronic highway on which commerce, business collaboration, and knowledge sharing will ride," said Mr John Petrillo, president of AT&T's Business Communications Services unit.

The advent of public data services will enable business customers to avoid the expense of building and operating their own private inter networks said Mr David Taylor, industry analyst at the Gartner Group, a market research firm.

Modo in share issue

MoDo, one of Sweden's leading forestry groups, plans to issue up to 4m new B shares to international investors. The company said that the move would raise SKr1.2bn ($157m) at current prices writes Christopher Brown-Humes in Stockholm.

Ferfin and Montedison show operating profits

By Robert Graham in Rome

The clean-up costs of the June 1992 collapse of the Ferruzzi family's business empire have reached over L2,400bn ($1.5bn) – the biggest write-down of a private group's assets in recent Italian history.

But the industrial interests formerly controlled by the Ferruzzi family and now in the hands of banks, which last year agreed to swap debt for equity, have begun to show healthy operating results.

This emerged from the 1993 results of Ferruzzi Finanziaria (Ferfin), the listed holding company of the group now 55 per cent controlled by foreign and Italian creditor banks, which were announced on Friday and those of Montedison, the chief industrial subsidiary, which were released yesterday.

The losses are bigger than originally expected but essentially reflect the need by Mr Guido Rossi, the special administrator brought in last year, to write down inflated assets that massaged Ferfin and Montedison accounts.

Ferfin's consolidated losses totalled L2,419bn, against a 1992 deficit of L1,519bn. These two losses in effect represent the cost so far of the mismanagement of the Raul Gardini era at Ferruzzi which was perpetuated after his divorce from the family business in 1991.

Of the losses at Ferfin, L2,079bn was attributable to a thorough revision of the value of the holding company's assets – both fixed assets and share portfolios. At Montedison, extraordinary 1993 losses were L1,300bn while total net losses reached L1,611bn.

Ferfin debt stock was reduced by L1,382bn to L21,951bn, largely as a result of asset sales. Debt restructuring and recapitalisation helped reduce financial charges. Since the collapse last year, L5,400bn of fresh capital has been pumped into Ferfin and Montedison.

The holding company's consolidated net turnover was up 15 per cent to L22,804bn, generating an operating profit of L1,373bn up 28 per cent. In the case of Montedison consolidated net turnover was up 20 per cent from L16,969bn to L20,415bn with an operating profit of L1,485bn.

The improving trend in operating performance has continued this year and in the first two months the gross operating margin was up 26 per cent at L431bn.

Expansion for Great-West Life

By Robert Gibbens in Montreal

Great-West Life, a key company in Mr Paul Desmarais's North American financial services group, is taking effective control of Confederation Life, Canada's fourth biggest life company, with an initial cash infusion of C$225m.

The planned merger will create Canada's biggest group health and life company.

Confederation, a mutually-owned company with US and European operations, was caught by the property market collapse and lost C$29m in 1993 after a C$137m loan loss provision. It finished 1993 with nearly C$1bn of non-performing assets. Total assets were almost C$20bn (US$14.4bn).

Great-West, held indirectly by Mr Desmarais's Power Corp of Canada, now ranks as Canada's third biggest life company with C$25bn assets. Its business is split evenly between Canada and the US.

It will buy C$75m of Confederation preferred stock and make another C$150m capital available, and take a majority of boardroom seats.

Several other Confederation assets will be sold and the total initial capital infusion will rise to C$400m.

But Great-West will not assume Confederation's troubled mortgage and property portfolio.

Negotiations were complicated by problems in linking a mutual company with shareholder-owned Great-West. About 276,000 Confederation policyholders are likely to approve the deal and the government reaction was positive.

More cost-cutting at Continental

By Michael Lindemann in Hanover

Continental, the German tyre maker, lifted first-quarter profits slightly but Mr Hubertus von Grünberg, chief executive, said further cost-cutting was needed to pull the company out of "the deep hole" it fell into in 1993. He said full-year profits were expected to match the DM65.1m ($38m) of 1993.

Turnover rose 8 per cent in the first quarter, due to the incorporation of Barum, the Czech producer, and Benecke-Kaliko, a Hanover-based tyre maker.

Despite a 50.1 per cent fall in 1993 profits, the company will pay a DM4 dividend. Mr Wilhelm Winterstein, finance director, said he could not rule out a rights issue this year.

High costs in Germany meant 25 per cent of all tyre production would be moved abroad, mainly to Barum and Mabor, the Portuguese unit, the company said.

Contitech, the non-tyre division, would also increase its activities at Vegum, the Slovak company in which it holds a stake.

Worldwide tyre sales fell by 4.5 per cent to DM4.9bn in 1993 but recession in the auto industry saw European car tyre sales drop by 17 per cent and commercial vehicle tyres by 34 per cent.

Contitech saw 1993 turnover fall by 7.6 per cent to DM2.1bn but said that sales had improved slightly in the first quarter.

Turnover at General Tire, the US subsidiary, rose 2.2 per cent last year to DM2.2bn.

THE WEEK AHEAD

UK COMPANIES

■ **TODAY**
COMPANY MEETINGS:
Admiral, Admiral House, 193-199 London Road, Camberley, Surrey, 12.00
Candover Invs., Howard Hotel, Temple Place, W.C. 12.00
Holders Technology, Hendon Hall Hotel, Ashley Lane, Hendon, N. 12.00
Strong & Fisher, Hambros Bank, 41, Tower Hill, E.C., 12.00
Yorkshire Food, Carter Mills, 146 Cleckheaton Road, Bradford, W. Yorks., 12.00
BOARD MEETINGS:
Finals:
Elswick
GBE Intl.
German Inv. Tst.
Govett Oriental Inv. Tst.
Jove Inv. Tst.
Silentnight
Interims:
Celltech
Premium Underwriting
Unigroup

■ **TOMORROW**
COMPANY MEETINGS:
Bensons Crisps, Dalmeny Hotel, South Promenade, Lytham St. Annes, Lancs, 12.00
Courtaulds Textiles, Langham Hilton Hotel, 1 Portland Place, W., 12.00
Garton Eng., Park Hall Hotel, Park Drive, Goldthorn Park, Wolverhampton, 12.00
Hodder Headline, 338 Euston Road, W.C., 2.00
Kwik-Fit Hldgs., Skinners' Hall, 8½, Dowgate Hill, E.C., 12.00
Pentland, Pentland Centre, Squires Lane, Finchley, N., 10.30
Pittards, Sherborne Raod, Yeovil, Somerset, 12.30
Schroders, 120 Cheapside, E.C. 12.00
Sumit, Moore House, 119 London Wall, E.C. 2.15
T & S Stores, Swinfen Hall, Swinfen, Nr Lichfield, Staffs., 11.00
Unilever, Queen Elizabeth II Conference Centre, Broad Sanctuary, S.W. 11.00
Wates City of London Properties, City Tower, 40, Basinghall Street, E.C., 10.30
BOARD MEETINGS:
Finals:
Albany Inv. Tst.
BAT. Inds.
Beattie (James)
Finsbury Growth Tst.
German Smaller Co's.
Silvermines
Interims:
Bellway
Dakota
On Demand Information
Tate & Lyle

■ **THURSDAY MAY 5**
COMPANY MEETINGS:
Barclays Bank, Queen Elizabeth II Conference Centre, Broad Sanctuary, S.W., 2.30
British Mohair, Midland Mills, Valley Road, Bradford, 11.30
Cadbury Schweppes, Royal Lancaster Hotel, Bayswater Road, W., 3.00
Coats Viyella, Inn on the Park Hotel, Park Lane, W., 2.30
EBC Grp., Imperial Hotel, St. Davids, Exeter, 12.00
Expamet Int., Royal Automobile Club, 89, Pall Mall, S.W., 12.00
Lilleshall, The Chequers Hotel, Oxford Street, Newbury, Berks., 11.30
Lloyds Smaller Co's Inv. Tst., 48 Chiswell Street, E.C., 12.30
Matthews (Bernard), Airport Ambassador Hotel, Norwich Airport, Cromer Road, Norwich, 12.00
National Express, Farmers' & Fletchers' Hall, Cloth Street, E.C., 12.00
Radius, Founders' Hall, E.C., 12.30
Richardsons Westgarth, Peat House, 2, Cornwall Street, Birmingham, 10.00
Standard Chartered, Merchant Taylors' Hall, Threadneedle Street, E.C., 12.00
WSP, 15 New Bridge Street, Blackfriars, E.C., 11.00
BOARD MEETINGS:
Finals:
Aminex
BMSS
Bank of Scotland
Body Shop Intl.
CSC Inv. Tst.
Forward Grp.
Gartmore American Sec.
Greenway
Highcroft Inv. Tst.
Radamec
Regent Corp.
Westminster Scaffolding
Interims:
Titan Hldgs.

■ **FRIDAY MAY 6**
COMPANY MEETINGS:
BAT Inds., Queen Elizabeth II Conference Centre, Broad Sanctuary, S.W. 12.00
Billam (J), Sheffield Moat House Hotel, Chesterfield Road South, Sheffield, 11.00
Church & Co., Northampton Moat House, Silver Street, Northampton, 12.30
Clarke (T), Simpsons, The Strand, W.C., 12.00
Hillsdown Hldgs., Regents Park Marriott Hotel, N.W. 2.00
IMI, Metrolpol Hotel, N.E.C, Birmingham, 12.00
MTL Instruments, Power Court, Luton, Beds., 4.00
Pelon, Royal Society of Arts, 8 John Adam Street, W.C., 11.00
Rugby Grp., Crown House, Rugby, 12.30
Servomex, Buxted Park Hotel, Uckfield, East Sussex, 11.00
Spandex, 1600, Park Avenue, Almondsbury, Bristol, 10.00
Zeneca, Royal Lancaster Hotel, Lancaster Terrace, W., 11.00
BOARD MEETINGS:
Finals:
Walker (J.O.)
Interims:
Broadgate Inv. Tst.

Company meetings are AGMs unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

DIVIDEND & INTEREST PAYMENTS

■ **YESTERDAY**
American Tele. & Tele. $0.33
Ameritech $0.48
Anglo Am.Inv. Tst. 5.825% Cm. 1st Pf. R0.05825
Bell Atlantic $0.69
BellSouth $0.69
Dunedin Worldwide Inv. Tst. 3.5% Cm. Pf. £1.75
Edinburgh Inv. Tst. 7½% Db. 1995 £3.75
Fife Indmar 2p
ISS-Intl. Service Sys. DKr2
Kalon 2.9p
Kymmene FMk1
Pacific Telesis $0.545
Southwestern Bell $0.395
US West $0.535
Volvo A SKr7.75
Do. B SKr7.75

■ ***TODAY***
American Tst. 3.6p
APV 3.15% Cm. Pf. 1.575p
Do. 4.55% Cm. Pf. 2.275p
Do. 5.25% Cm. Pf. 2.625p
Barclays Bk 12.375% Nts.'96 Lire618,750
Bradford & Bingley Bldg. Soc. FRN '99 £138.68
Canadian Pizza 3.6p
CrestaCare 0.5p
EFT 1.04p
Excalibur 0.25p
Fleming Mercantile Inv. 1.675p
Greece 7% Refugee Loan 1924 35p
Do. 7% Ref. Loan '24 Stg. Fdg. Bds.'65 87.5p
Green (E) & Part. 2.75p
Healthcare Ops. 1 Class A FRN '21 £146.55
Howden 0.82p
Hungary 7½% Stg. Bds. '24 £2.75
Hydro-Quebec 9.5% Dbs. Series GG '01 C$95
ICN Pharm. 6¾% 2001 $33.75
Ireland 11¾% '94 £568.75
Johnson Grp. Cleaners 20p
Lamont Hldgs. 6% Cm. Pf. 1.05p
Do. 5.6% 2nd Pf. 2.8p
Do. 10% 3rd Cm. Pf. 5p
LASMO Oil Prod. Stk. Units 4.5234p
Lex Service 7.8p
Lloyds Abbey Life 11.7p
Macro 4 8.02p
MAI 2p
Marubeni Am.7.3% Nts. '96 Y7,300,000
Minorco $0.19
Natl. Home Lns FRN '95 $1.50
NatWest Bk 9.45% Nts. '01 $4,725
Novo-Nordisk B DKr4
Prudential Fd 10% Nts. '98 C$100
Repsteel O'seas Fin. 11½% Cv. Sec. Br. Nts. '96 £57.50
Reuters 19.6p
St. Andrews Tst. 5.1p
State Bank NSW 10½% '99 A$105
TT Grp. 10.875% Cv. Rd. Pf. '97 5.4375p
Treas.15¼% Ln 1996 £7.625

■ **TOMORROW**
BTP Cv. Pf. 3.75p
Halifax Bldg. Scty. FRN '97 £281.52
Holders Tech. 4p
Lloyds Bank 15.5p
New Zealand 11¼% '08 £281.25
Pilkington 7½% Bd. '98 £375.0
Royal Insce. 5p

■ **THURSDAY MAY 5**
Bensons Crisps 2.15p
Bergesen A NKR1.0
Do. B NKR1.0CRH IR4.96p
Domestic & Gen. Grp. 9.25p
Holliday Chemical 2.4p
Indl. Control Services 1.5p
Yorkshire Food 2.48p
Zeneca 17p

■ **FRIDAY MAY 6**
Admiral 4.3p
Baring Puma Fd. $0.25
Brit. Air. 9½% Nts. '97 £95.0
Cadbury Schw. 8¼% Un. Ln. 94/2004 £4.125
CALA 0.9p
CIA Grp. 3.68p
Courtaulds 6% Cm. Rd. 2nd Pf. 2.1p
Courtaulds Text. 9.5p
Delta 10¾% Db. 95/99 £5.375
Expamet Int. 1.25p
FII Grp. 6p
Honeysuckle 1p
I & S Optimum Inc. Tst. 1.95p
Isotron 1.66p
Jardine Strategic Cv. Pf.(Bermuda) $75.0
Do. (Jersey) $75.0
Do. (Hong Kong) $75.0
Lows (John) 10¼% Bd. '06 £102.50
Lloyds Smaller Co's Inv. Tst. 1.85p
Do. Package Units 1.85p
Matthews (Bernard) 1.4p
Mitsui Toatsu Chem. 3.5% Bd. '01 Y972222.0
Paterson Zochonis 2.45p
Do. A (N/Vtg.) 2.45p
Schroders 12.5p
Do. N/Vtg. 12.5p
Second Market Inv. 4.3p
Tay Homes 1.35p
Transport Devl. Grp. 6.5p
Treasury 7% 2001 £4.5222
Vardon 0.825p
Vickers 1.75p
Whatman 6.9p
Whitbread 7¼% Un. Ln. 95/99 £3.625

■ **SATURDAY MAY 7**
BBA 10% Db. 1989/94 £5.0
Bristol & West Bldg. 13⅜% Perm. Int. Brg. £66.875
Conversion 9¾% 2003 £4.875
Ricardo 2p

■ **SUNDAY MAY 8**
Reo Brothers 0.45p

CONFERENCES & EXHIBITIONS

The Markets

THIS WEEK

Global Investor / **Bronwen Maddox**

Desperately seeking surprises

Towards the world-weary resolution of *The Age of Innocence*, Edith Wharton's classic novel now playing as an award-winning film, the hero and his new bride set off to tour Europe. She buys a wardrobe of gowns in Paris, he picks up a set of suits in London, and they settle onto the boat heading back to the New World, content that they have picked the best – meaning the most predictable – of each country's wares.

Any investors – American or otherwise – who follow that approach to the European equity markets at the moment will find value eluding them. The only survival game at present – and it is hardly an enjoyable one – is to dig hard for the few surprises in future earnings growth that remain.

It is a peculiarly awkward point at which to try to squeeze money into the equity markets. Coming out of recession, companies should have several years of strong growth before threats of inflationary pressures and rising interest rates re-emerge.

But investors have had months – about 18 months in the UK's case – to scour the markets for stocks which should perform well in those conditions. The main question now is whether all of that potential is already captured by share prices.

Of all the European equity markets, Germany looks the most attractive by some way. Recent company announcements have delivered a handful of surprises already – shares have risen sharply as the figures emerge.

The market's capacity for delivering unexpectedly good results should continue, at least for this year. Surveys show business confidence improving rapidly as exports pick up on the back of American and Asian demand.

Last week five of the country's independent economic research institutes threw their considerable weight behind politicians' optimism about the economy, with a forecast that gross domestic product would grow by 1 per cent in western Germany in 1994 and by 7.5 per cent in the east. Broking houses, which had typically been sketching in no growth for this year, are upgrading earnings estimates.

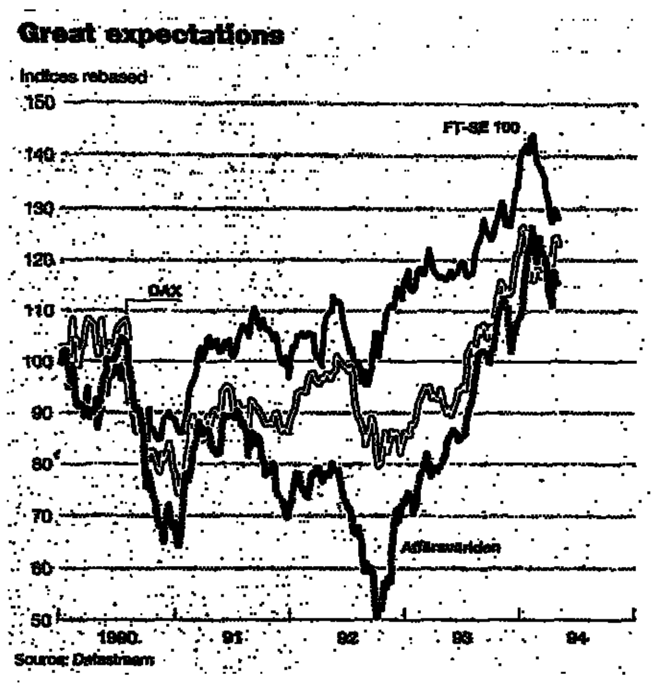
The threats to that picture are that the present weakness of the dollar against the deutschemark restricts exports, and that inflationary pressures could revive. Given the dependence of German companies on bank finance, the equity market has historically been even more sensitive to a rise in interest rates than other European markets.

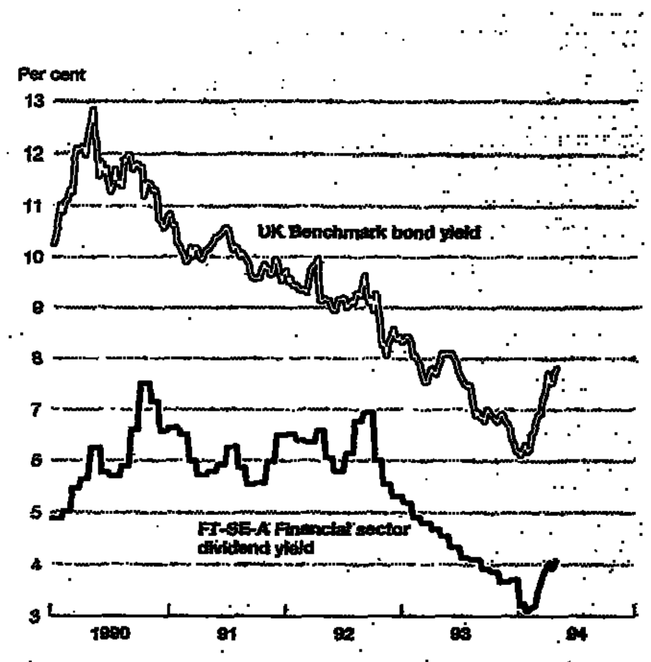
However, the recent low wage settlements have gone some way to addressing inflationary fears. They have also, as Mr Michael Hughes, currency analyst at Barclays de Zoete Wedd has been arguing, taken some of the strain off the currency.

Exchange rates of DM1.85 to DM1.90 to the dollar by the autumn, which was widely predicted several months ago, now look unlikely. But a weakening towards DM1.75 in the next few months, compared with DM1.65 at the end of last week, still looks on the cards and should ease some of the market's remaining fears.

After Germany, Sweden deserves to be the next stop. With more adventurous financial structures than their German rivals, and with profits more sensitive to export volumes, Swedish companies have tended to offer the attractions – and risks – of Germany, multiplied several times.

The paper and pulp sector may have shown all the performance of which it is capable for some time, but industrial stocks should have further to rise.





Beyond that, the pickings become much thinner. To rely on the constants that underpin the Italian market, such as a fair proportion of savings continuing to make their way into the market (at 18 per cent, the savings ratio is Europe's highest), is to allow nothing for disillusionment with the new government.

In the UK's case, the rewards of chasing after growth stocks may now be so elusive that the opposite principles should apply. Investors may well find it worthwhile picking up countercyclical, high-yielding shares such as the financial sector instead.

It is hard, with yields on long bonds still drifting up, to see the UK market doing more than tracking sideways, or perhaps edging forwards as dividend growth comes through. According to Mr Edmond Warner, head of strategy at Kleinwort Benson Securities, "the UK market is condemned to a lengthy period of consolidation while returns to shareholders build".

The markets are now also settling firmly into a view of rising interest rates: three-month sterling contracts are now discounting 8 per cent interest rates in December 1995.

It is becoming increasingly hard to believe that all the earnings growth which is assumed in current valuations will in fact appear. General manufacturing stocks, for example, are on a multiple of some 16 times estimates of 1995 earnings, compared with the All Share Index's rating of less than 13 times earnings. That is a large premium for a group of companies which trade at a discount to the market at the peak of the economic cycle.

Against that background, the virtues of dividend growth offer considerable appeal. The financial sector, which has that attraction, offers no hiding place from the gloom of the bond markets, it must be said.

The yield on the sector and on bonds have tracked each other closely (see chart). But the past few years suggest that the sector demands only stability in the bond markets, not recovery, to perform better. While it offers few surprises, it at least does not ask that investors pay top prices for earnings.

Boiled in oil

Enterprise Oil's bid for Lasmo apart, oil shares have seen aggressive buying in the past few weeks, driven by the strength of underlying oil prices. There is a case, though, that both shares and futures have gone far enough in the short run.

After the Opec meeting at the end of March, which agreed to maintain output levels, Brent crude touched \$12.70 but has now revived to \$15.30. But views in the market on the direction from here are sharply divided.

Those – like Mr Simon Flowers at Natwest Securities – who think oil could reach \$18 to \$19 a barrel within a year and rise further beyond then, are taking a bet that growth in demand will be enough to soak up the impact of future Iraqi supplies, for example.

At current prices, British Petroleum and Shell Transport are valued on between 17 and 19 times 1994 earnings. Even looking several years out, prices seem to have caught up with events.

The superhighway

It does not take much exposure to the current cable enthusiasm to question the valuations being put on the "superhighway", which will pipe every kind of communication service to our doors.

Last week Telewest, the largest cable operator in Britain, confirmed plans for a global share offering this summer which could value the company at £1.7bn. That is based on the reckoning that cable's revenues from delivering telephony will outstrip revenues from television by the end of the decade.

But investors might well ask whether cable is underplaying the risk that British Telecom will eventually be allowed to provide entertainment over its telephone lines, such as "video-on-demand" – programmes dialled up from a video library.

BT is barred from doing that until at least 2001 by the 1991 Duopoly Review, but that ban will be reviewed in 1998.

If allowed to go ahead, BT would have little of cable's expense of digging up streets – its trunk lines are now fibre optic cable, capable of carrying television programmes.

True, most BT connections to houses are still through copper wires, which deliver less good pictures, but recent trials have had some success.

The outcome of the 1998 review is unpredictable: it will depend on the nature of the government in power and on any obligation it feels to protect the cable industry. But cable's vulnerability on this point emphasises that British media is hardly the brave new deregulated world that media barons sometimes portray.

On the contrary: investment success in British media has always depended on getting judgments about future regulatory changes right. If the rules do change, the cable valuations now mooted will look unforgivingly high.

Total return in local currency to 28/4/94

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.07	0.04	0.11	0.12	0.15	0.09
Month	0.31	0.21	0.48	0.53	0.70	0.44
Year	3.44	3.25	6.69	7.31	10.83	6.19
Bonds 3-5 year						
Week	-0.36	0.21	-0.03	0.67	0.27	0.04
Month	-1.01	0.15	-0.14	0.031	0.94	-0.01
Year	0.42	6.74	6.86	8.17	19.46	5.94
Bonds 7-10 year						
Week	-0.56	0.58	0.10	1.06	0.66	-0.39
Month	-1.26	1.02	-1.10	-0.73	1.45	0.10
Year	-0.16	9.30	6.10	8.67	26.77	7.11
Equities						
Week	0.0	-0.3	2.4	2.8	5.9	0.9
Month	-2.2	-0.7	4.1	-0.5	15.2	0.4
Year	5.2	1.5	36.0	18.6	51.5	17.7

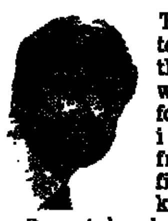
Best performing stocks from FT-A World indices in local currency to 28/4/94

	Close	Week	Month	Year
		% change		
Banesto (Spa)	1,050	34.4	43.3	-53.2
Golden Plus (Mal)	12.50	28.2	77.3	n.a.
Commerce Clearing	19.00	20.6	7.0	12.6
Clorox (USA)	50.13	20.0	11.4	167.2
Teledyne (USA)	17.00	18.2	-2.2	-13.9
Plate Glass (RSA)	135.0	17.4	22.7	223.4
Novell (USA)	18.63	17.3	-4.5	-36.0
Lotus Dev. (USA)	63.38	16.8	-13.5	164.1
LSI Logic (USA)	22.25	16.3	6.6	104.5
Cons. Freightways (USA)	26.25	16.0	-6.7	53.2

Source: Cash & Bonds - Lehman Brothers. Equities - © NatWest Securities. The FT-Actuaries World Indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co., and NatWest Securities Limited.

Economics Notebook / **Peter Norman**

Derivatives attract some hostile attention



These are tough times for the whizz-kids who make their fortunes at the innovative frontiers of financial markets.

Recent bond market gyrations and corporate calamities, such as the \$102m after-tax charge at Procter & Gamble arising from swap transactions and the near bankruptcy of Metallgesellschaft of Germany after oil futures speculation, have brought derivatives and other sophisticated financial products to the hostile attention of politicians and regulators.

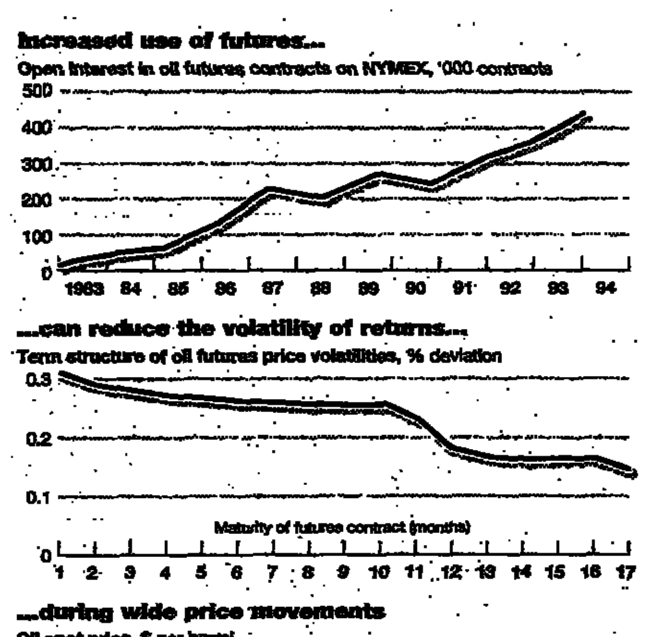
Mr Eugene Ludwig, the US comptroller of the currency, has hinted at tougher controls over US banks' derivatives trading. A week ago, finance ministers from the Group of 10 leading industrial countries agreed on the need to strengthen co-operation in gathering statistics and assessing the implications for the world financial system of "the innovative segments of financial markets".

Mr Hans Tietmeyer, the Bundesbank president, and Mr Andrew Crockett, the general manager of the Bank for International Settlements, called in separate speeches last Tuesday for improved disclosure requirements and sufficient capital adequacy standards among financial institutions to underpin their risky activities.

Although Mr Tietmeyer said there was no need for specific new regulation "for the time being", tighter regulation of derivatives seems highly likely. Yet just as markets overshoot and become indiscriminating, regulators and legislators must beware of becoming excessively worried about financial innovation.

But derivatives, such as options and futures, are not just speculators' toys. Derivatives and swaps, which are agreements to exchange specified cash flows such as interest rate or currency liabilities, can yield broader economic benefits.

Although Mr Crockett focused mainly on the risks posed by financial innovation, he acknowledged that derivatives, by allowing sophisticated risk management, can improve the productivity of an investment. They also could contribute to the integration of global capital markets, so improving the global allocation of savings and fostering higher investment levels.



In a recent study*, the World Bank has emphasised how market-based instruments such as futures, options and swaps are being used with increasing success to combat the adverse effects of volatile commodity prices on the economies of developing nations.

Commodity exporting countries can suffer large scale shocks through big and sudden changes in the prices of their main products. The World Bank cites the case of the Ivory Coast, an exporter of cocoa and coffee and an oil importer. In the 1970s and 1980s, it suffered six terms-of-trade shocks (two favourable and four unfavourable), each of which moved its gross domestic product by more than 10 per cent.

Such shifts would make economic management difficult enough in an advanced industrial country. In certain poor developing nations they have encouraged policy errors, including big budget deficits and soaring external debts that act even today as a brake on growth.

Traditional means of smoothing the effects of commodity price volatility have yielded scant success. The 1980s saw the failure of several international commodity arrangements that sought to stabilise prices. Domestic stabilisation schemes have a similar poor record and have tended to put a strain on already hard-pressed budgets. Little wonder, therefore, that interest has focused in recent years on market-based techniques such as hedging in commercial futures markets to manage risk.

Commodity futures markets have been around for a long time and are spread across the globe. Only in recent decades have they developed great depth and liquidity, however. The top chart gives one example of how dealing on crude oil futures has grown over the past decade. According to the World Bank, the volume of crude oil futures and options traded on the New York Mercantile Exchange now amounts to roughly 200m barrels a day or almost four times world production of crude.

Forward prices tend to be less volatile than spot prices, giving commodity producers an opportunity to reduce the volatility of the price of their output through hedging. The middle chart, based on a study of the oil futures market in the late 1980s, suggests that a producer, routinely hedging 15 months in advance, could cut price volatility by a half.

Governments and corporations in developing countries have taken advantage of exchanges to hedge their commodity exposure. For many years, Ghana and the Ivory Coast have sold part of their cocoa crop ahead of the harvest while Indonesia's rubber and coffee exporters routinely hedge.

Codelco, Chile's state owned copper company, has used financial derivatives linked to the copper price and interest rate hedging instruments. But news earlier this year that it had incurred a \$206m loss in trading on the London Metal Exchange shows that futures trading is not risk free.

However, when finance and development ministers from the world's industrialised and developing nations met in the joint World Bank – International Monetary Fund development committee last week, they gave their backing to the use of hedging instruments in futures markets by commodity producers.

They also supported efforts of the World Bank and other agencies to provide know-how to smaller producer countries so that they could use such markets.

Although the official mood has swung against the young "rocket scientists" who construct and deal in derivatives on Wall Street, governments are still prepared to back sophisticated market practices when they are seen to do some good.

**Global Economic Prospects and the Developing Countries, 1994. World Bank, 1818 H Street NW, Washington DC 20433.*

WORLD BOND MARKETS: This Week

NEW YORK
Richard Tomkins

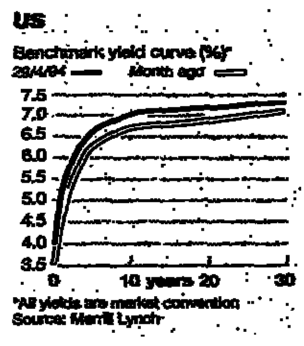
Fear of inflation continues to dominate the US bond market. At the end of last week the price of the benchmark 30-year bond sank by more than two basis points, lifting the yield to 7.3 per cent, after key indicators in the GDP figures pointed towards growing inflationary pressures.

The market is convinced that the Federal Reserve will push the Fed funds rate up by another ¼ percentage point when it meets on May 17, if not before.

Yesterday, the National Association of Purchasing Managers' monthly index of business activity came in at 57.7 per cent, much as expected, yet bond prices lost another half point or so in early trading.

The rest of the week will provide more data to feed the market's fear. Tomorrow's index of leading indicators could show an increase of 0.6 per cent for March after slipping 0.1 per cent in February.

US



*All yields are market convention
Source: Merrill Lynch

On Wednesday, figures for factory orders are likely to show an increase of 0.5 per cent for March.

The productivity figures, due out on Thursday, may indicate that output per hour grew by barely 1 per cent in the first quarter.

But the climax of the week will come with the publication of the employment figures on Friday: anything much bigger than a 170,000 increase could send yields rising again.

LONDON
Philip Coggan

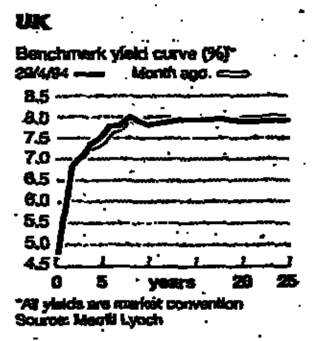
While the minutes of tomorrow's meeting between Mr Kenneth Clarke, chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England, will not be known for six weeks, analysts do not think the two men will agree to a base rate reduction.

"It is apparent from official comments that rate cuts have to be clearly justified on economic grounds and recent data have shown that the economy is growing at a steady pace, so no cut is needed," says Mr Nick Stamenkovic, economist at DKB International. He adds that "if they cut rates ahead of the local and European elections, it will be viewed as political. Sterling will suffer and gilt yields will rise".

M0 statistics, published today, are expected to show that the narrowest measure of the money supply grew strongly in April, which may be a guide to the strength of retail sales. However, Mr Don Smith of Midland Global Markets, points out that M0 growth was also buoyant in April 1993, so there may be a problem with the seasonal adjustment.

With little else in the way of economic data to the published this week, gilts may be affected by political nervousness following Thursday's local council elections. International investors might take fright at bad results for the government.

UK



*All yields are market convention
Source: Merrill Lynch

FRANKFURT
David Waller

The market for German government securities is in a grumpy mood. With little trading in the underlying bunds – most price movements are driven by trading in derivatives – the market reacts with oversensitivity to whatever may be perceived as bad news.

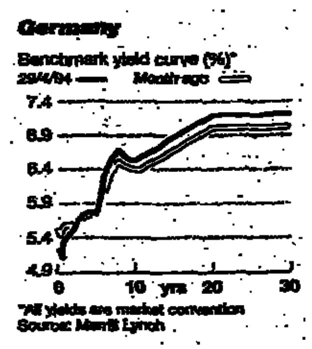
This week's bad news is likely to come from two sets of economic data due in the next few days – details of order intake and industrial production for March.

To the extent that the data show evidence of recovery in the German economy, they will unsettle a market already weakened by the knock-on effects of the US interest rate environment.

Mr Holger Fahrinkrug, an economist at Schweizerische Bankgesellschaft in Frankfurt, predicts that manufacturing orders will increase by 0.5 per cent month-on-month, which corresponds to a healthy 6.5 per cent annual increase. He thinks industrial production will be unchanged month-on-month, but after February's rise of 1.2 per cent that means an annual rate of 0.2 per cent.

If these robust figures cause nervousness in the markets, there is also scope for disappointment at tomorrow's outcome of this week's repo operations. After a 23 basis point cut in this key rate in the past two weeks, the scope for further reduction this week is limited.

Germany



*All yields are market convention
Source: Merrill Lynch

TOKYO
Emiko Terazono

The outcome of the wrangling over Japan's new cabinet has had little affect on long-term interest rates, although investors in the short-term money markets were encouraged by the creation of Mr Tsutomu Hata's minority government.

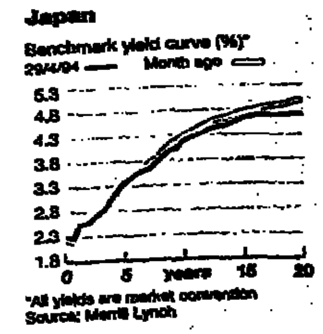
Traders believe Mr Hata is unlikely to deliver the tax reform package, including income tax cuts to be financed by a rise in consumption taxes, because of the departure of the socialist party from the coalition. He may, therefore, try to avert pressure from the US by cutting interest rates to stimulate the economy.

If a general election is called following the passage of the budget bill, as many analysts are forecasting, the Bank of Japan may be tempted to ease its monetary policy to counter the rise in negative sentiment towards the economy, which has just started to stabilise.

Bond market investors, however, had little incentive to commit funds ahead of the Golden Week holidays. Financial markets this week will be closed for three days starting today.

Institutional investors, which have indicated they would put most of their new money into the bond market rather than stocks, are expected to start investing after the holidays but the upside of bond prices may be limited by the rise in bond issues by municipal governments.

Japan



*All yields are market convention
Source: Merrill Lynch

Capital & Credit / Conner Middelmann

Bank casts a wider net to fund PSBR

After last year's effortless run, the Bank of England may find funding the UK public sector borrowing requirement more of a challenge this year, especially if difficult market conditions persist.

However, a much lower PSBR for the current financial year, coupled with the Bank's increasingly innovative approach to gilt issuance, is unlikely to make supply a major problem for the gilt market, most analysts say.

Helped by falling interest rates and a global bond market rally, funding last year's £45.9bn PSBR was child's play, enabling the Bank to overfund by an estimated £3bn to £4bn. Overseas investors, including highly leveraged hedge funds, were keen buyers of gilts – but that backfired early this year, when many overseas players dumped their positions amid widespread inflation jitters and rising US interest rates, all of which sent world bond markets into a tailspin.

Having posted the most spectacular gains last year, the gilt market was especially badly hit. Salomon Brothers' World Government Bond Index shows 10-year gilts have fallen by 7.96 per cent in the year to date. The ultra-long end has fared even worse, dropping about 10 per cent.

Funding the deficit, albeit a much smaller one, may prove more tricky in these conditions. Investors are keeping a low profile, preferring large cash positions to braving the unpredictable market.

Moreover, many gilt houses have suffered heavy losses, prompting some to reduce their exposure sharply.

The most recent casualty was discount house Gerrard & National, which pulled out of gilt market-making last week saying "the obligations and risks of gilt-edged market-making exceed the benefits and rewards". Still, most economists don't expect the gilt market to be overwhelmed by this year's funding programme.

With an estimated £3bn to £4bn overfunding from last year to carry forward, one auction under the belt and the £6.8bn of bank and building society purchases from 1992–93 also going towards this year's funding, "our PSBR forecast of £35bn (compared with the Treasury's £38bn) implies net gilt sales of around half that completed in the last year", says Mr Simon Briscoe, UK economist at S. G. Warburg Securities. This implies that £12bn, or roughly a third of the funding for this year, has already been completed.

What is more, the Bank of England appears to have adopted a more innovative stance, as illustrated by its recent issue of floating-rate gilts, the first since 1979.

By issuing floaters, the Bank is "tapping a different source of institutional cashflow", says Mr John Shepperd, chief economist at Yamaichi International. "They're widening the net and are attracting banks and monetary institutions who may not have looked at gilts."

Floaters have a particular appeal to banks and building societies, which buy them to match their short-term liquidity needs. They also attract investors who expect interest rates to rise over coming years and want bonds whose coupons will increase as rates rise.

For the government, "floating-rate funding has the advantage of securing finance, without worries about bunching or refinancing, while enabling the Exchequer to benefit from a further fall in interest rates", says Mr Roger Bootle, chief economist at Greenwell Montagu. While non-bank appetite for floaters may be limited, bank demand could be more substantial, he says.

At its recent auction of 6 per cent gilts due 1999, the Bank made another small shift from its usual approach: rather than being partly paid (where investors pay for only a portion of the paper and settle the rest several weeks later, delaying the fungibility of the paper with the existing stock), the issue was fully paid and the bonds immediately became fungible. This relieved a technical shortage in the five-year benchmark stock, traders said.

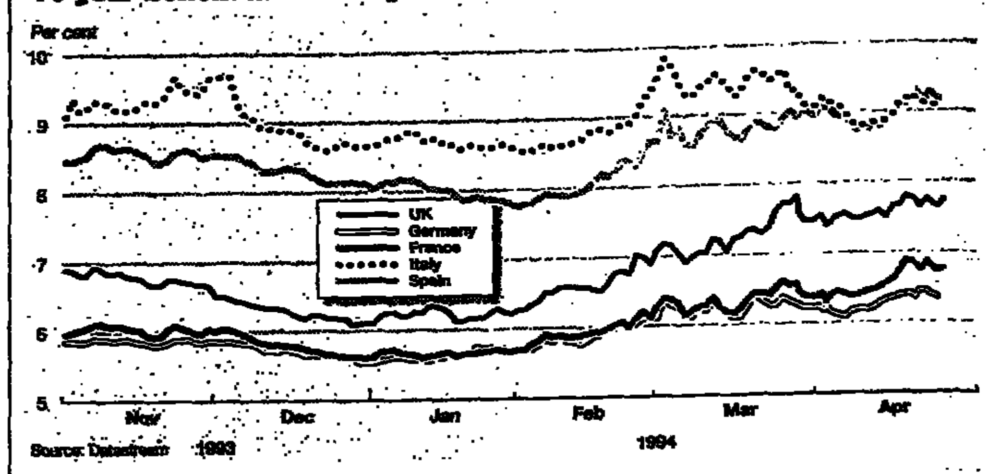
Talk of other possible innovations includes convertible gilts, where the Bank issues shorter-dated paper that can be converted into long-dated stock at a later stage. It hasn't issued convertibles since the late 1970s but their appeal to investors at times of interest rate uncertainty may prompt the Bank to revive the instrument.

Moreover, the conversion into longer-dated stock would allow the Bank back-door access to the long end of the yield curve, which it has been starving of supply for months because it does not want to lock in excessively high rates for the long term.

Concentrating issuance at the short end – seven out of the last eight auctions were for gilts of 10 years or less – has led to severe illiquidity at the ultra-long end, causing the yield curve to flatten markedly. However, few observers believe the Bank is completely boycotting the long end. "We would expect some long and ultra-long issuance this year, but while yields are at current levels we expect it to be taps rather than a full-blown auction," says Mr Briscoe.

Most analysts expect the Bank to hold another 10 auctions this year, each raising about £2bn to £2.5bn, with the remainder raised through tap issues of existing stock.

10 year benchmark bond yields



Source: Datastream

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	3.00	1.75	5.00	6.75[1]	7.50	5.25[2]
Overnight	3.75	2.16	5.63	5.75	7.81	4.88
Three month	4.00	2.25	5.19	5.68	7.85	5.06
One year	5.14	2.47	5.12	5.80	7.93	5.69
Five year	6.71	3.34	5.76	6.28	9.07	7.61
Ten year	7.11	3.88	6.56	6.85	9.22	7.84

(1) France-Repo rate. (2) UK-Base rate. Source: Reuters.

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	104-19	103-29	-0.19	104-20	103-27	550,561	421,501
Sep	103-19	102-28	-0.20	103-19	102-28	7,602	55,585
Dec	102-29	102-09	-0.17	102-29	102-09	1,443	33,798

UK GILTS PRICES

Stock	Notes	Price £	W'k % +/-	Amnt £m	Interest due	Last xd	City line
Shorts" (Lives up to Five Years)							
Treas. 10pc Ln. 1994‡‡		100⅜	-.1	1,900	Ja9 De9	2.11	1284
Exch 12½pc 1994		102⅜	-.2	1,240	Fe22 Au22	17.1	1263
Treas 9pc 1994‡‡		102⅛xd	-.1	1,900	My17 Nv17	11.4	1345
12pc 1995		104½	-.1	2,350	Ja25 Jy25	20.12	1294
Exch 3pc Gas 90-95		98	0.3	214	My1 Nv1	25.3	1271
10¼pc 1995		105¾	-.1	2,500	Ja21 Jy21	15.12	1254
Treas 12¾pc 1995‡‡		109⅞xd	-.1	840	My15 Nv15	8.4	1298
14pc 1996		112½	-.1	770	Ja22 Jy22	16.12	1305
15¼pc 1996‡‡		116¾	-.2	1,150	My3 Nv3	28.3	1309
Exch 13¼pc 1996‡‡		112⅞xd	-.2	800	My15 Nv15	8.4	1268
Conversion 10pc 1996		107⅛xd	-.3	3,409	My15 Nv15	8.4	1240
Treas 13¼pc 1997‡‡		115⅜	-.2	1,290	Ja22 Jy22	16.12	1302
Exch 10½pc 1997		108⅞	-.2	3,700	Fe21 Au21	17.1	1253
Treas 8¾pc 1997‡‡		104⅜	-.3	5,550	Mr1 Se1	24.1	1341
Exch 15pc 1997		122⅞	-.3	830	Ap27 Oc27	21.3	1289
9¾pc 1998		107⅜	-.3	3,560	Ja19 Jy19	13.12	1273
Treas 7¼pc 1998‡‡		99⅝	-.4	7,850	Mr30 Se30	21.2	-
Treas 6¾pc 1995-98‡‡		98⅛	-.4	1,200	My1 Nv1	25.3	1331
14pc '98-1		121⅞xd	-.4	970	My22 Nv22	16.4	1306
Treas 15½pc '98‡‡		129	-.3	935	Mr30 Se30	21.2	1308
Exch 12pc 1998		116⅞xd	-.4	3,909	My20 Nv20	13.4	1258
Treas 9½pc 1999‡‡		107	-.4	1,900	Ja15 Jy15	9.12	1347
Five to Fifteen Years							
Exch 12¼pc 1999		117⅞	-.3	3,050	Mr26 Se26	17.2	1284
Treas 10½pc 1999		111⅞xd	-.5	1,252	My19 Nv19	12.4	1286
Treas 6pc 1999‡‡		93⅞	-.6	5,800	Fe10 Au10	22.4	-
Conversion 10¼pc 1999		110⅞xd	-.6	1,796	My22 Nv22	15.4	1242
Treas Flg Rate '99		99⅞	-	0	-	-	-
9pc 2000‡‡		105½	-.7	5,358	Mr3 Se3	25.1	1244
Treas 13pc 2000		124	-.6	3,171	Ja14 Jy14	8.12	1299
10pc 2001		110⅞	-.8	4,406	Fe26 Au26	20.1	1280
7pc '01‡‡		95⅞xd	-1.1	3,250	My6 Nv6	30.3	-
7pc '01 A		95⅛	-1.1	2,600	My6 Nv6	-	-
9¾pc 2002		109⅞	-1.2	6,527	Fe27 Au27	21.1	1346
8pc 2003‡‡		100⅞	-1.3	7,600	Ja10 De10	3.11	-
10pc 2003		112⅛	-1.5	2,503	Mr8 Se8	31.1	1281
Treas 11½pc 2001-4		116⅞	-1.0	1,620	Mr19 Se19	10.2	1290
Funding 3½pc '99-4		74⅞	-1.6	543	Ja14 Jy14	8.12	1274
Conversion 9½pc 2004		110⅞	-1.2	3,412	Ap25 Oc25	21.3	1248
Treas 6¾pc 2004‡‡		92⅞xd	-1.4	6,250	My26 Nv26	19.4	-
Conv 9½pc 2005		110⅞	-1.6	4,842	Ap18 Oc18	14.3	1247
Treas 12½pc 2003-5		126⅞xd	-1.8	2,200	My21 Nv21	14.4	1295
7¾pc 2006‡‡		98⅞	-1.5	3,900	Mr8 Se8	31.1	-
8pc 2002-6‡‡		99⅞	-1.5	2,000	Ap5 Oc5	1.3	1334
Treas 11¾pc 2003-7		120⅞	-1.3	3,150	Ja22 Jy22	16.12	1293
Treas 8½pc 2007‡‡		104⅞	-1.3	5,497	Ja16 Jy16	10.12	1339
13½pc '04-8		134⅞	-1.3	1,250	Mr26 Se26	17.2	1301
Treas 9pc 2008‡‡		108⅞	-1.3	5,321	Ap13 Oc13	7.3	1343
Over Fifteen Years							
Treas 8pc 2009		99⅞	-1.8	3,100	Mr25 Se25	15.2	1336
Treas 6 1/4pc 2010		85⅞xd	-1.3	2,750	-	18.4	-
Conv 9pc Ln 2011‡‡		108⅞	-1.3	4,273	Ja12 Jy12	6.12	1245
Treas 9pc 2012‡‡		110⅞	-1.3	5,150	Fe6 Au6	31.12	1701
Treas 5½pc 2008-12‡‡		78⅞	-1.3	1,000	Mr10 Se10	1.2	1330
Treas 8pc 2013‡‡		100⅞	-1.7	4,950	Mr27 Se27	18.2	-
7¾pc 2012-15‡‡		97⅞	-2.1	800	Ja26 Jy26	20.12	1332
Treas 8¾pc 2017‡‡		108⅞	-1.7	8,950	Fe25 Au25	19.1	1982
Exch 12pc '13-'17		137⅞	-1.3	1,000	Ja12 De12	5.11	1260
Undated							
Consols 4pc		48⅞	-1.3	359	Fe1 Au1	29.12	1239
War Loan 3½pc‡‡		44⅞xd	-1.9	1,909	Ja1 De1	25.4	1352
Conv 3½pc '61 Aft		59⅞	-1.7	119	Ap1 Oc1	23.2	1243
Treas 3pc '66 Aft		35⅞	-1.9	58	Ap5 Oc5	1.3	1324
Consols 2½pc		30⅞	-1.7	275	5JaApJyOc	1.3	1238
Treas. 2½pc		31⅞	2.9	475	Ap1 Oc1	21.2	1315
Index-Linked	(b)						
Treas. 2pc '94	(102.9)	138	-	500	My16 Nv16	11.4	5070
2pc '96	(67.9)	198⅞	-.1	1,200	Mr16 Se16	7.2	1313
4⅝pc '98‡‡	(135.6)	107⅞	-.2	800	Ap27 Oc27	21.3	-
2½pc '01	(78.3)	167⅞	-.5	1,800	Mr24 Se24	15.2	1316
2½pc '03	(78.8)	164⅞xd	-.5	1,050	My20 Nv20	13.4	1317
4¾pc '04‡‡	(135.6)	111⅞	-.7	850	Ap21 Oc21	22.4	-
2pc '06	(69.5)	172⅞	-.5	1,550	Ja19 Jy19	13.12	1314
2½pc '09	(78.8)	136⅞xd	-.4	1,550	My20 Nv20	13.4	1318
2½pc '11	(74.6)	162⅞	-.4	1,950	Fe23 Au23	17.1	1319
2½pc '13	(89.2)	133⅞	-.4	2,300	Fe16 Au16	10.1	1320
2½pc '16	(81.6)	142⅞	-.4	2,400	Ja26 Jy26	20.12	1321
2½pc '20	(83.0)	137⅞	-.4	2,400	Ap16 Oc16	10.3	1322
2½pc '24‡‡	(97.7)	114⅞	-.6	2,000	Ja17 Jy17	13.12	1323
4⅛pc '30‡‡	(135.1)	114	-.5	1,300	Ja16 Jy22	16.12	-

(b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for August 1993: 141.3 and for March 1994: 142.5.

Other Fixed Interest

Stock	Price £	W'k % +/-	Amnt £m	Interest due	Last xd	City line
African Dev 11⅛ 2010	124⅞	-1.7	50	Ja4 Jy4	1.12	-
Asian Dev 10¼pc 2009	116⅞	-1.8	100	Mr24 Se24	3'93	-
B'ham 11½pc 2012	124	-1.2	45	My15 Nv15	4'93	1837
Ireland Cap 8½pc '10	103⅞	-.5	303	Ap1 Oc1	-	1485
9pc Cap 1996	100⅞	-.1	725	Ja30 Jy30	-	-
13pc '97-2	110⅞	-.2	315	Ap1 Oc1	28.8	1428
Hydro Quebec 15pc 2011	148⅞	-1.7	40	My31 Nv30	27.10	-
Leeds 13½pc 2006	133⅞	-.9	40	Ap1 Oc1	3'93	3146
Liverpool 3½pc Irred	38½	-1.3	5	1JaApJlOc	1.8	-
LCC 3pc '20 Aft	34	-1.4	26	1JaApJlOc	1.8	-
Manchester 11½pc 2007	118⅞	-1.9	8	Ap25 Oc25	3'93	3275
Met. Wtr. 3pc 'B'	69⅞	-.7	25	Mr1 Se1	1.8	3361
N'wide Anglia 3⅝pc 2021	137	-	60	Ja30 Jy30	1'93	3465
4⅝pc IL 2024	132	-.1	60	-	20.7	-
Utd Mex States 16½pc 2008	143½	-.5	50	Mr1 Se1	27.8	-

● 'Tap' stock. †† Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds. Weekly percentage changes are calculated on a Friday to Friday basis.

International / Christopher Brown-Humes

Sweden pays price for sins of the past

A modest rally in Swedish bonds last week suggested the market might finally be coming back into favour for the first time in months.

On many counts a correction is overdue given the mauling which has taken Swedish 10-year bonds to a spread of more than 200 basis points over German bonds, from just 90 points three months ago.

Yet there are plenty of reasons for believing the market will find it hard to break decisively out of its current range.

These include general turbulence in international financial markets, worries about Sweden's burgeoning state debt, and the prospect of a tough re-election battle for the centre-right government this September.

Mr Andrew Davies, bond analyst at the London Bond Broking Co, though a buyer, says the attractions of Swedish market are relative. "We are buyers of Swedish bonds because yields are now only 45 to 55 basis points below those of Italy and Spain," he states.

In one sense Sweden's bond market drop is surprising, given that inflation has fallen to only 1.8 per cent in spite of a 20 per cent drop in the value of the Swedish krona over the last 18 months.

Government projections suggest inflation will be held to 1.9 per cent for the year as a whole, before climbing to 2.8 per cent next year.

What has happened is that foreign investors, who last year were big buyers of Swedish bonds, have this year been big sellers – and they have been selling into a relatively narrow domestic market.

The rationale for the buying was that Sweden's economic problems were so severe that it would be forced to bring down interest rates very sharply. In fact, the central bank has pursued a much more cautious monetary policy than many pundits expected. This meant that when turbulence hit international bond markets in February, many of Sweden's foreign bondholders headed for the door.

Although very much in thrall to what happens in Germany, Swedish bond yields have risen much more than German. Here it seems the country is paying a price for the sins of its past.

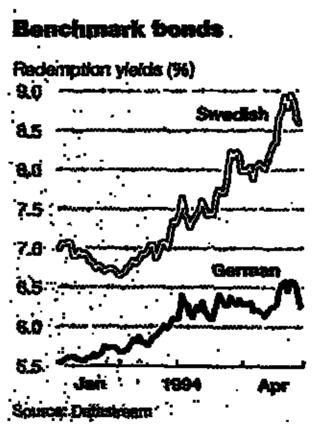
It is a point acknowledged by Mrs Anne Wibble, the Swedish finance minister, who said last week: "The market has a long memory of our very large devaluation in 1982 and a long memory of our poor inflation performance during the 1980s."

The country's track record explains why the Riksbank, the central bank, has made inflation its top priority in the months since Sweden floated the krona in November 1992. It also explains why the country resorted to its first issue of index-linked bonds two weeks ago.

Effectively, the Riksbank has ruled out further cuts in its key marginal rate – currently 7.25 per cent – until either the krona strengthens or there is evidence of fiscal tightening.

Fiscal tightening, though, is not on the cards in the short-term, as the supplementary budget presented by Mrs Wibble last week made clear.

Benchmark bonds



Source: Datastream

The markets were not surprised by the absence of tough measures, both because of the election and because the government has lost the guarantee of support from New Democracy, the populist party on which it relied for its majority.

The savings promised by the government for the second half of the decade – a total of SKr100bn in the six years to 1999 – are not something which can be guaranteed, especially with opinion polls indicating that it will be the opposition Social Democrats who triumph at the election.

Although it would be natural to think that the Social Democrats might seek to lower unemployment by expanding the public sector, the markets are taking a different view.

They seem to believe that Sweden will tighten fiscally, whoever comes to power in September, otherwise bond yields would almost certainly be higher than they are, given the size of the country's budget deficit in relation to GNP.

The budget did contain some encouraging news, particularly evidence that the budget deficit and borrowing requirements are falling by more than was expected.

The budget deficit for the year beginning July 1 is estimated at SKr150bn, or 9.7 per cent of GNP, while the borrowing requirement is put at SKr195bn.

In the current fiscal year, the deficit is predicted to be SKr198bn and the borrowing requirement SKr240bn.

Optimists about the Swedish bond market say the cyclical component of the budget deficit is much greater than the structural one, which means the deficit will fall relatively quickly as the economy recovers.

Heartened by recent inflation projections, the optimists expect the currency to strengthen, as the economy improves, allowing further interest rate cuts.

Pessimists remain to be convinced on the inflation score. They also doubt that Sweden can achieve the 3 per cent a year growth it needs between 1996 and 1999 to meet its target of stabilising public debt at 45 per cent of GNP.

The play-off between the two factions almost certainly guarantees continued volatility in trading over the next few weeks. The crucial elements in the equation will be developments in the German market and the position adopted by foreign traders.

NEW INTERNATIONAL BOND ISSUES

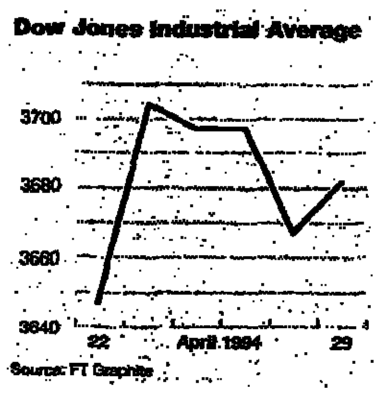
Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Bangkok Bank*‡	175	Jun.1999	(a)	100.00	-	-	Fuji Intl. Finance (HK)
Daiwa Overseas Finance(b)‡	70	May.2004	(i)	100.25	-	-	Daiwa Bank Cap.Mgmt.
YEN							
OKB(b)	15bn	Mar.1999	3.65	100.00	-	-	IBJ International
Kingdom of Sweden(c)	75bn	Jun.1999	3.875§	99.776R	3.924	+36 (No.119)	Goldman Sachs Intl.
DSL Bank	30bn	May.1999	3.80	100.00R	3.800	-	Nomura International
International Finance Corp.(l)	10bn	Jun.1998	4.375	102.95	3.569	-	Sanwa International
Mitsubishi Corp. Finance(d)	10bn	Aug.1996	2.70	100.07	-	-	Merrill Lynch Intl.
Inter-American Dev. Bank*‡	10bn	May.2006	4.25	100.075	4.242	-	Bank of Tokyo Cp.Mkts.
DSL Bank*	10bn	Jun.1999	3.90	99.88	3.927	-	Merrill Lynch Intl.
STERLING							
Eastern Electricity(b,k)	300	Mar.2004	8.375	99.598R	8.444	+55 (6¾%-04)	BZW/ CS First Boston
Abbey Natl.Treasury Services	150	May.2004	8.75	99.337R	8.853	+85 (6¾%-04)	Salomon/ S.G. Warburg
Cable & Wireless Intl.Fin.(f)	200	Mar.2019	8.625	97.681R	8.868	+50 (8¾%-17)	Samuel Montagu
FRENCH FRANCS							
Kingdom of Belgium	5bn	May.2002	6.875	99.55R	6.950	+20 (8½%-02)	CCF
Elf Acquitaine	1.5bn	May.2004	7.00	99.305R	7.090	+34 (5½%-04)	Société Générale
Volvo Group Finance Europe	1bn	May.1999	6.75	99.30R	6.920	+67 (8⅛%-99)	Crédit Lyonnais
CANADIAN DOLLARS							
Municipality of Metro.Toronto	165	May.2004	8.50	98.75R	8.682	+45 (6½%-04)	ScotiaMcLeod
LB Schleswig Holstein, Lux.	150	May.1996	7.375	99.945R	7.403	+22 (4¾%-96)	Nomura International
Ford Credit Canada(c)	100	May.1999	8.125	99.429R	8.269	+59 (5¾%-99)	ScotiaMcLeod
GUILDERS							
Republic of Ireland	250	Jun.2004	6.875	100.00R	6.875	+30 (5¾%-04)	Rabobank Nederland
ITALIAN LIRE							
Bayerische Hypobank(e)	150bn	May.2004	9.625	100.45	-	-	Bca.Commerciale Italiana
LB Schleswig Holstein(b,j)	150bn	Mar.2004	9.625	100.70	-	-	Bca.Commerciale Italiana
Abbey Natl.Treas.Serv.(b,k)	100bn	Jun.2004	9.625	100.25	-	-	Credito Italiano
ECUS							
Crédit Local de France(d)	100	Dec.1999	5.25	93.185R	6.745	+10 (5¾%-99)	Société Générale
AUSTRALIAN DOLLARS							
Deutsche Bank Australia	150	Jun.1997	7.00	100.375	6.857	-	Deutsche Bank London
National Australia Bank	75	Jun.1999	8.00	101.275	7.683	-	Hambros Bank
ABN Amro Australia	75	Jun.1999	8.00	101.20	7.702	-	ABN Amro Bank
Cadbury Schweppes Australia	75	Jun.1999	8.50	101.69	8.076	-	BZW
HONG KONG DOLLARS							
International Finance Corp.	500	May.1999	7.175§	100.00R	7.175	-	JP Morgan Secs. Asia
SWISS FRANCS							
Südwestdeutsche Landesbank	100	Jun.2004	5.00	102.00	4.744	-	Zürcher Kantonalbank

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ‡Floating rate note. ◆With equity warrants. *Unlisted or private placement. §Semi-annual coupon and yield. R: fixed re-offer price. a) 6-mth Libor +0.4%. b) Short 1st coupon. c) Long 1st coupon. d) Callable at any time at the higher of par or gilts flat. Event risk language. e) Callable on 20/4/97 and annually thereafter at par. f) Fungible with Y40bn. Plus 2 days accrued. g) Fungible with Ecu300m. Plus 68 days accrued. h) Callable on 20/5/97 at par. i) 6-mth Libor +0.45% for 1st 3 yrs and 9½% for annual thereafter. j) Callable on 24/3/97 and annually thereafter at par. k) Issue launched on 20/4/94 was increased to L250bn: L150bn at 100½% and L50bn at 100¼%. Callable on 15/6/99 and annually thereafter at par. Note: Yields are calculated on ISMA basis.

EQUITY MARKETS: This Week

NEW YORK Frank McGurty

Investors wary ahead of April jobs data



The calendar this week is dotted with important economic readings, culminating with Friday's report on April employment trends. Anticipation of that data is likely to influence the direction of stocks in every session up to its release.

With the Federal Reserve tightening monetary policy, and its next move to higher interest rates expected any day, the mood is wary. The flat reaction yesterday morning to a seemingly favourable report from the National Association of Purchasing Management suggested further declines were likely as the week progressed.

"Greenspan [the Fed chairman] told us basically in February to watch for any scrap of inflation information we can find, so that's what we are doing," says Mr Donald Straszheim, of Merrill Lynch in New York.

Mr Straszheim is forecasting that payrolls increased by 140,000 in April, a gain consistent with second-quarter economic growth of about 4 per cent.

But what if business was so robust last month that employers took on even more workers? "The psychology will be one-sided," he says. "I cannot imagine a weak number being terribly troublesome, but a very strong one surely will be."

The inclination to accentuate the negative has been apparent in recent sessions. On Thursday, equity investors were disappointed by the drubbing taken by bonds on the announcement that first-quarter GDP had grown at a weaker than expected 2.6 per cent in the first quarter. Many were apparently convinced the economy had quickened once the harsh winter weather lifted.

Another factor was two worrying readings on prices included in the report. They hit bonds like so many buckets of cold water. "The inflation figures scared people and so they figured the Fed is going to lean even heavier on the brakes and abort the recovery," says Mr Alfred Goldman, of AG Edwards in St Louis. Spooked by the prospect of tighter money, equity investors ran scared, too.

Or did they? Sure, the Dow Jones Industrial Average fell 31 points. But the more broadly based Standard & Poor's 500 was only marginally lower. The breadth of the downturn, with 1,275 declining issues against 973 advances, was unremarkable.

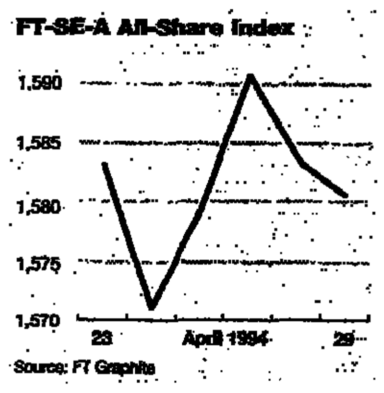
"In my opinion, stocks handled a very weak bond market very well, except for the Dow," says Mr Don Hays, market analyst at Wheat First Butcher & Singer in Norfolk. He characterises the session as "neutral", pointing out that each successive sell-off in the series since the Fed began raising rates has been milder that the previous one.

Mr Hays expects another significant decline in the next two or three weeks, probably when the Fed decides to tighten again. "That will be the next little test of the market," he says. But in the intermediate term, the analyst is bullish, predicting a big upturn soon thereafter.

Mr Goldman holds much the same view. "I'm looking for three or four more weeks of backing and filling – up a little, down a little – but basically building a base for an interim rally going into the summer."

LONDON Terry Byland

Decoupling hopes face another test



Hopes for a decoupling of UK equities from global bond markets will be put to the test again this week in a confused-looking stock market. Market strategists are asking why, with increased dividends appearing on all sides, with investors and even the Confederation of British Industries more relaxed on the base rate outlook, with inflation subdued and the market alive with bid speculation, equities cannot perform better.

"Above all else, equities need gilt market stability," commented Edmond Warner at Kleinwort Benson Securities. This is easier said than done, in a market which can still move through a range of more than 1 per cent because the European and US bond markets remember that the Federal Reserve may tighten credit again soon.

From this point of view, there are at least some signs of a change of step. On Friday, equities remained relatively steady in spite of overnight weakness in the US, at least until the sudden excitement in the dollar pushed all other considerations into the background and put the Federal bond market back in the driving seat.

Kleinwort Benson remains cautious on the influence on equities cast by the bond markets, which Mr Warner believes relates to the re-rating of future dividend flows following the dramatic fall in bond yields during the recession; the problem was compounded by disappointing corporate earnings. He fears that equities may be "condemned" to a long period of consolidation while investor portfolios readjust and warns that, even if decoupling is on the way, the transition could be painful.

At Strauss Turnbull, Mr Ian Harnett suspects that bonds and equities could begin to decouple this week if, as expected, the local elections deliver a drubbing to Mr John Major's government.

This could put sterling under pressure, warns Strauss, and that scenario has historically seen equities rising while bonds fall. The markets have been slow to discount the political factor.

The setback in bond markets has been another adverse factor for property shares. The sector has shown a relative decline of 6 per cent since mid-March as stock market investors have stubbornly refused to believe in a recovery in property shares. But BZW, warning that while rental growth prospects remain weak the sector cannot decouple from bond yields, continues to urge clients to be underweight in the property sector.

BZW is still highly negative on the outlook for UK office property which is underperforming retail and industrial property and likely to continue to do so, according to BZW's Mr David Nighy. He identifies a problem of over-renting in London and the South-east and believes the sector still under-rates the significance of obsolescence in valuing properties.

The UK investment bank sees Asda Property Holdings showing attractive net asset value on the back of strong 1993 capital growth rates on both its retail and industrial holdings.

OTHER MARKETS

AMSTERDAM

The Netherlands goes to the polls today and a change of government is expected. Lehman Brothers says that it would be unrealistic to expect swift, radical changes in Dutch politics. Nevertheless, all the serious contenders for a share in governmental power advocate reductions in government expenditure, along with cuts in the cost of real labour and the share of labour in national income.

Lehman says the extensive reforms of government expenditure should be good news for financial markets. Bond markets should react favourably to renewed efforts to reduce budget deficits but on balance, there is probably greater scope for reaction in the equity markets.

DSM, the petrochemical group is expected today to report a return to profit in the first quarter of 1994 after two loss-making quarters in the second half of 1993. Analysts expect net profits before extraordinary items of Fl 15m–50m, against Fl 6m in the first quarter of 1993.

Philips announces first-quarter results tomorrow. Hoare Govett forecasts a 52 per cent rise in earnings per share, with higher sales compensating for negative price effects and earnings to be positively influenced by currency effects and lower financial charges.

FRANKFURT

Last week's surprisingly large cut in the repo rate to 5.47 per cent was very encouraging, says James Capel, which notes that over the past two weeks, the rate has fallen by nearly as much as the April 14 discount rate reduction. The broker says a smaller decline in the repo is likely at tomorrow's tender, although the scale of recent falls bodes well for a further cut in the discount rate, probably at the May 26 Bundesbank meeting.

Schering has its annual shareholders meeting tomorrow. The drugs group said last month that sales rose 21 per cent in the first two months of this year and forecast earnings for the year would at least match last time's DM254m.

MILAN

INA, the state insurer, meets today to prepare the ground for its privatisation which is scheduled for late June.

The Italian Treasury has not said exactly how much of the insurance group it plans to sell, although INA executives have said they hoped at least 51 per cent would be offered. The company is seeking a listing in Italy and the US.

INDICES AT A GLANCE

	Closing price	Percentage Change: Over week	On 12 months	Since Jan 1	12 month High		12 month Low		1994 High		1994 Low	
FT-SE 100	3,125.30	-0.3	+12.1	-6.6	3,520.30	2/2/94	2,786.30	6/5/93	3,520.30	2/2/94	3,086.40	31/3/94
Dow Jones Ind.	3,681.69	+0.9	+7.5	-1.9	3,978.36	31/1/94	3,425.12	29/4/93	3,978.36	31/1/94	3,593.35	4/4/94
Nikkei	19,725.25	-1.2	-3.6	+13.2	21,148.11	13/9/93	16,078.71	29/11/93	20,677.77	16/3/94	17,369.74	4/1/94
Dax	2,245.98	+1.4	+38.3	-0.9	2,267.98	3/1/94	1,603.04	24/5/93	2,267.98	3/1/94	2,020.33	2/3/94
CAC 40	2,176.96	+1.4	+12.8	-4.5	2,355.93	2/2/94	1,835.72	17/5/93	2,355.93	2/2/94	2,081.94	31/3/94
Banca Com. Ital.	799.47	+2.8	+48.3	+29.0	813.63	27/4/94	508.01	16/6/93	813.63	27/4/94	588.85	10/1/94

Source: FT Graphite

RISK AND REWARD

Need for greater clarity on creditworthiness

Last week's introduction by Moody's of specific ratings based on an institution's creditworthiness as a counterparty in the derivatives market highlighted the confusion in over how far existing ratings take account of derivatives activities.

Moody's approach is only one way of tackling an increasingly troublesome issue, which now affects industrial companies and fund management companies as well as financial institutions.

Mr John Kriz, associate director of Moody's, says the agency addresses the effects of derivatives activities on creditworthiness in its existing debt ratings, but greater precision is needed by participants in the derivatives market.

He notes that many market participants apply existing ratings of an entity's debt as if they were general ratings of the entity's creditworthiness. "This assumes a debt claim is on a par with a derivatives counterparty claim," he warns. "Looking at a debt rating as a proxy has pitfalls. The question is whether they are going to honour a financial contract: its a specific type of claim."

He also points out that many entities are not rated at all, but may be members of a group whose affiliates are rated. "People often attribute a rated affiliate's rating to an unrated affiliate. This can lead to extreme misjudgment."

Standard & Poor's, Moody's greatest rival, introduced counterparty ratings in 1991, because of the broadening use of derivatives. However, unlike Moody's, S&P only assigns these ratings on request, arguing that the full co-operation of management is needed for the process to be meaningful.

As a result, S&P has rated only about 50 counterparties. (Moody's, on the other hand, plans to assign counterparty ratings to more than 1,000 securities firms, banks, central governments, insurance companies, pension funds, industrial companies and others in coming months.)

"We do find that our existing deposit ratings – assigned to around 450 banks around the world – are used as proxies for counterparty risk," said Mr Cliff Griep, executive managing director, financial institutions at S&P.

However, there are legal differences between the two, he warns, especially in the US, where there is a depositor preference law which "puts the depositor in a slightly stronger position than other senior creditors in liquidation".

The gap, he says, is likely to be greater for lower rated entities, where liquidation analysis is a more important component of the rating process.

Meanwhile, IBCA, which specialises in rating financial institutions, takes a different approach, assigning a broad credit rating to each entity (rather than to its long-term debt or deposits).

"I think our view has always been that ratings are not just for issues. If you look at the financial condition of an entity you can come out with a risk assessment for that entity," says Mr Charles Prescott, director of IBCA.

The rating agencies are striving to satisfy the growing appetite for credit information in the derivatives markets, heightened by a spate of large losses on derivatives positions, in particular the $1bn hit which nearly bankrupted German giant Metallgesellschaft.

The importance of the Moody's ratings, and others which factor in derivatives exposure, is set to increase but the task of assigning them accurately is becoming increasingly daunting.

Since many of the losses suffered in the derivatives markets have been the result of breaches of internal controls, it is hard to see how rating agencies could have factored the potential for such losses into the rating process.

Tracy Corrigan

EMERGING MARKETS: This Week

The Emerging Investor / Alexander Nicoll

Captivation with China by proxy

Does the downward correction in Asian markets during the first quarter mean a hasty end to foreign investors' enthusiasm for them?

Almost certainly not. Most economies are still set fair for such substantial growth that it will be hard to ignore them.

The Asian Development Bank, which begins its annual meeting in Nice today, predicts 7 per cent growth rates for developing Asia this year and next. The region's expansion appears to some extent self-fuelling.

Mr Satish Jha, the ADB's chief economist, says Asia has become "its own most important and rapidly expanding market".

The intra-Asian share of Asian exports rose from 37 per cent in 1986 to 47 per cent in 1991, with the proportions for imports rising from 48 per cent to 55 per cent respectively.

Speaking to a Financial Times conference on Asian capital markets in London last week, Mr Jha cautioned however that Asia's self-sufficiency should not be over-stated.

A considerable amount of intra-regional trade was within individual industries – for example, a Japanese company shipping parts for assembly to a subsidiary in south-east Asia.

Many "exported" goods were destined ultimately for sale in the west, so "Asian countries may be more dependent on markets outside the region than the trade data indicate".

Nevertheless, the "flying geese" sequence of complementarity between Asian economies, with richer countries shifting manufacturing capacity to poorer ones, still has some way to run.

Each rapidly growing country has a growing middle class with rising expectations as consumers. And most have huge domestic savings yet to be mobilised.

Add to that the growth which could be released by further liberalisation in China, India, and even relatively advanced countries such as South Korea and Taiwan, still beset by bureaucratic control.

Mr Edward Kim, general manager for international finance of Korea Development Securities in Seoul, told the FT conference the reforms of President Kim Young-sam – provided they overcome entrenched opposition from the Korean establishment – will put pressure on local companies to operate more efficiently, causing consolidation through mergers.

But they will significantly reduce the government's control over the private sector and will foster economic prosperity.

Given these prospects for Asia, there will be plenty of value to seek in stock markets, even though portfolio weightings have been re-adjusted in favour of the industrialised world.

The question is not whether to invest, but how and where to find good value.

Most Asian markets showed big rises last year, but in terms of cash invested it was largely a China boom.

According to the US Securities Industry Association, net US purchases of Asian stocks doubled in 1993 to $17bn. Of this, $6.1bn was in Japan and an astonishing $6.2bn in Hong Kong, with $1.3bn in Korea. This left only $3.4bn for all other Asian markets combined.

The figures underline US investors' sudden captivation with China and their use of Hong Kong as its proxy.

The SIA figures are also, however, a reminder of the relative small size of other markets – and thus of their potential, given the right conditions, for growth.

Ten best performing stocks

Stock	Country	Friday close	Week on week change $	%
Usinimas (Pfd)	Brazil	0.0010	0.0002	38.10
Companhia Cervejaria (Pfd)	*Brazil*	*0.2303*	*0.0500*	*27.69*
Telebras	Brazil	0.0276	0.0058	26.71
Tolmex	Mexico	12.2477	2.5655	26.50
Grupo Finaciero Banamex (C)	Mexico	6.7278	1.3937	26.13
Grupo Finaciero Banamex (B)	Mexico	6.0612	1.2498	25.98
Telebras (Pfd)	*Brazil*	0.0356	0.0073	25.72
Grupo Carso	Mexico	10.0153	1.9369	23.98
Banco Galicia	Argentina	8.0532	1.5545	23.92
Madeco	Chile	2.9560	0.5633	23.54

Source: Baring Securities

Mr Hugh Peyman, Singapore-based managing director of Kleinwort Benson Research (Asia), summed up those conditions as transparency and efficiency of markets, regulators who sought to develop rather than inhibit markets, good flow of information, and new listings.

There are still a number of newer markets which remain immature and illiquid, and some which are so mature that adapting to the new world is difficult.

Mr Robert Lloyd George, chairman of Lloyd George Management, a Hong Kong-based fund manager, said for example that investors had difficulties in trading stock during the recent shake-outs in the Philippines and Indonesia.

India presents the biggest problems, despite which it is currently the pet of many fund managers who salivate over its 6,000 listed stocks and huge domestic investor base. Mr Lloyd George, who saw India as "the emerging market of 1994," nevertheless listed the headaches as inefficient custodian banks, over-long settlement periods, slow registration of shares, and a requirement for a capital gains tax audit before repatriation of funds.

Leaving aside these problems, how do you select stocks?

Even though there is now a wealth of research material on Asian companies, the biggest need is still for information.

Disclosure requirements of many exchanges are far from stringent. There is plenty of insider dealing, even in relatively advanced countries.

Most difficult of all, investors may not be confident that, even with a set of accounts which looks completely intelligible, they really have a handle on a company's operations. This is because of the opaque nature of many Asian businesses, particularly the largest conglomerates.

Investors will naturally tend to look for the Asian companies which are the global forces of the future. There is a growing list of candidates.

Mr Mark Mobius, Hong-based director of Templeton Investment Management, divided Asian multi-nationals into two basic types: the Japanese/Korean model, and the Chinese.

Among characteristics he noted of Korean *chaebol* are authoritarian management styles, emphasis on size rather than profitability, and consequently – since all are competing to be big – a tendency towards over-capacity and price wars.

Conglomerates run by ethnic Chinese in both "greater China" and south-east Asia are perhaps more difficult for the investor to fathom. Many are using the fruits of success to diversify into unfamiliar businesses and territory. They tend to have both listed and unlisted arms, which tend to do a lot of business with each other.

Control is often in the hands of one man, which may lead to a group making some risky bets. Companies are inscrutable to investors because "too often the only person who knows how money is moving around the multitude of companies is the patriarch," Mr Mobius said.

But such companies can hardly be ignored. In Indonesia, for example, Mr Mobius noted that the Salim Group run by Mr Liem Sioe Liong is estimated to account for 5 per cent of the economy. For a man with $5bn under management, Mr Mobius was refreshingly candid, even resigned, about the risks.

It was difficult not to be tempted to fund expansion of companies which had already been successful.

News round-up

■ Venezuela

It was a volatile week in the country's capital markets after the resignation of Mrs Ruth de Krivoy, the governor of the central bank, following disagreements over monetary policy.

The appointment of a new governor, Mr Antonio Casas González, does not necessarily provide an end to the difficulties, according to some analysts.

Mr Victor Galliano of Latinvest in London commented that the key issue was whether the new governor would exercise independence. However, Mr Galliano added that the finance ministry had indicated that it was not willing to reduce interest rates until inflation was down – inflation currently stands at about 50 per cent annualised – a factor which lay behind Mrs de Frivoy's resignation.

■ Turkey

Istanbul's composite index closed the week 18 per cent down as the market was buffeted once again by negative news.

Standard and Poor's cut its rating on the country's long-term currency debt to B-plus from BB.

S & P said that the downgrade and an ongoing review for a further potential downgrade reflected growing external liquidity and balance-of-payments pressures.

Attention has now turned to the IMF which is meeting economic officials in Ankara this week for talks on a standby agreement.

■ Sri Lanka

Equities in Colombo recorded their sharpest ever one day fall last Friday on worries over political and economic uncertainty. The all share index shed 4.3 per cent.

Investors have been unnerved by the victory of opposition parties in local government elections at the end of March.

Share prices have been falling after the market gained some 40 per cent in the first two months. According to IFC data, Sri Lanka remains 14 per cent up in dollar terms since the beginning of the year.

● *Further coverage of emerging markets appears daily on the World Stock Markets page.*

CURRENCY MARKETS Philip Gawith

Treasury set to defend dollar

This week could see battle joined between the foreign exchange market and the US Treasury in a manner reminiscent of the the ERM dislocations in 1992-93.

The difference this time is that it will be the dollar that is the focus of attention. Last Friday the Fed had to step in, at the behest of the Treasury, to prevent the US currency falling to a record low below Y100.

The central bank's efforts were successful in preventing the dollar from testing its all time low of Y100.30, but few are confident that the market will not again test Y100.

Friday provided the first evidence that the Treasury does care about the fate of the dollar. Previously, the market believed the US administration favoured a stronger yen as a means of exerting pressure on the Japanese government to enact fiscal and trade reforms.

Just how much the Treasury is prepared to spend supporting the dollar remains to be seen. Market accounts suggest that fairly small sums were spent on Friday. Analysts believe that considerably more will have to be spent if the market is to be kept at bay.

Apart from the activities of the Fed, dollar watchers will have some substantive economic data to chew on: the release on Wednesday of the Tan book, setting out the economic background to the May 17 meeting of the Federal Open Market Committee, and payrolls data on Friday.

The market is expecting further tightening of policy from the Fed, but it is doubtful whether economic data supportive of this stance will help the dollar. There has been little evidence in recent months that interest rate differentials have played much of a role in the market's view of the dollar.

Elsewhere, sterling is vulnerable if the Tories, as predicted, suffer heavy losses in Thursday's UK local elections. This will renew speculation about the future of Mr John Major, prime minister. Uncertainty is likely to persist at least until next month's European elections, where Tory prospects are predicted to be even worse.

The chancellor and the governor of the Bank of England meet for their monthly monetary policy discussion on Wednesday, but there is little expectation of this producing any change in interest rates.

In the Netherlands, opinion polls suggest the ruling Christian Democrat–Labour coalition may lose its majority in today's election. This is not expected to effect the guilder's close link to the. D-Mark.

Baring Securities emerging markets indices

Index	29/4/94	Week on week movement Actual	Percent	Month on month movement Actual	Percent	Year to date movement Actual	Percent
World (239)	153.00	9.45	6.58	-3.95	-2.52	-15.41	-9.15
Latin America							
Argentina (19)	105.59	7.06	7.17	-0.66	-0.62	-9.79	-8.49
Brazil (18)	145.15	21.48	17.37	-41.34	-22.17	5.50	3.94
Chile (12)	168.86	6.78	4.18	10.42	6.58	21.32	14.45
Mexico (22)	139.45	15.57	12.57	-3.70	-2.58	-21.81	-13.53
Latin America (71)	140.25	14.91	11.90	-11.18	-7.38	-8.99	-6.03
Europe							
Greece (14)	93.28	3.21	3.57	-3.99	-4.10	10.18	12.25
Portugal (13)	124.51	-0.70	-0.56	-8.06	-6.08	12.39	11.05
Turkey (22)	52.02	-20.18	-27.95	-13.84	-21.01	-109.69	-67.83
Europe (49)	98.82	-3.15	-3.09	-7.71	-7.24	-13.42	-11.95
Asia							
Indonesia (17)	140.26	2.20	1.59	-8.53	-5.73	-30.79	-18.00
Korea (23)	123.61	4.43	3.72	8.56	7.44	13.91	12.68
Malaysia (21)	213.96	4.42	2.11	18.18	9.29	-39.09	-15.45
Pakistan	148.58	-6.07	-3.92	-12.39	-7.70	3.05	2.10
Philippines (9)	272.32	6.94	2.61	11.25	4.31	-50.16	-15.55
Thailand (20)	209.15	-2.23	-1.06	5.88	2.89	-54.41	-20.64
Taiwan (29)	145.90	-1.73	-1.17	11.25	8.36	-7.81	-5.08
Asia (119)	192.94	2.20	1.15	11.52	6.35	-28.47	-12.86

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, April 29, 1994. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Country	Currency	£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	2570.65	1695.34	1023.1	1670.65
Albania	(Lek)	168.05	109.61	66.0869	107.909
Algeria	(Dinar)	54.3845	35.6336	21.6246	35.3098
Andorra	(Fr Fr)	8.6126	5.68	3.4277	5.5969
	(Sp Peseta)	204.701	135	81.4697	133.026
Angola	(New Kwanza)	51476.85	33949	20487.5	33452.8
Antigua	(E Carr $)	4.0757	2.6879	1.6221	2.6486
Argentina	(Peso)	1.5158	0.9995	0.6031	0.9849
Aruba	(Florin)	2.7020	1.7819	1.0753	1.7559
Australia	(Aus $)	2.1253	1.4016	0.8458	1.3811
Austria	(Schilling)	17.6155	11.6174	7.0109	11.4476
Azores	(Port Escudo)	258.833	170.7	103.014	168.204
Bahamas	(Bahama $)	1.5163	1	0.6034	0.9853
Bahrain	(Dinar)	0.5717	0.377	0.2275	0.3715
Balearic Is	(Sp Peseta)	204.701	135	81.4697	133.026
Bangladesh	(Taka)	59.8939	39.5	23.8374	38.9224
Barbados	(Barb $)	3.0381	2.0023	1.2083	1.973
Belgium	(Belg Fr)	51.7210	34.11	20.5846	33.6112
Belize	(B $)	3.0190	1.991	1.2015	1.9619
Benin	(CFA Fr)	861.260	568.001	342.776	559.696
Bermuda	(Bermudian $)	1.5163	1	0.6034	0.9853
Bhutan	(Ngultrum)	47.5625	31.3674	18.9295	30.9088
Bolivia	(Boliviano)	6.9598	4.5899	2.7699	4.5228
Botswana	(Pula)	3.9749	2.6214	1.5819	2.5831
Brazil	(Cruzeiro Real)	1974.83	1302.4	785.971	1283.36
Brunei	(Brunei $)	2.3579	1.555	0.9384	1.5322
Bulgaria	(Lev)	85.85	56.619	34.1677	55.7902
Burkino Faso	(CFA Fr)	861.260	568.001	342.776	559.696
Burma	(Kyat)	9.4750	6.2487	3.7709	6.1573
Burundi	(Burundi Fr)	386.95	255.194	154.004	251.462
Cambodia	(Riel)	5283.25	3484.3	2102.7	3433.36
Cameroon	(CFA Fr)	861.260	568.001	342.776	559.696
Canada	(Canadian $)	2.0947	1.3814	0.8336	1.3612
Canary Is	(Sp Peseta)	204.701	135	81.4697	133.026
Cp. Verde	(CV Escudo)	131.314	86.6015	52.2621	85.3353
Cayman Is	(CI $)	1.2378	0.8163	0.4926	0.8043
Cent.Afr. Rep	(CFA Fr)	861.260	568.001	342.776	559.696
Chad	(CFA Fr)	861.260	568.001	342.776	559.696
Chile	(Chilean Peso)	646.323	426.25	257.233	420.018
China	(Yuan)	13.1696	8.6846	5.241	8.5577
Colombia	(Col Peso)	1269.07	836.962	505.082	824.714
CIS ✦	(Rouble)	0.8527o	0.5669	0.3433	0.5606
		2778.62m	1832.5	1105.87	1805.71
Comoros	(CFA Fr)	861.260	568.001	342.776	559.696
Congo (Brazz)	(CFA Fr)	861.260	568.001	342.776	559.696
Costa Rica	(Colon)	232.90	153.596	92.6928	151.352
Côte d'Ivoire	(CFA Fr)	861.260	568.001	342.776	559.696
Croatia	(Dinar)	9303.05	6135.36	3702.56	6045.65
Cuba	(Cuban Peso)	1.1463	0.754	0.455	0.7429
Cyprus	(Cyprus £)	0.7557	0.4983	0.3007	0.491
Czech Rep.	(Koruna)	44.2580	29.1881	17.6144	28.7613
Denmark	(Danish Krone)	9.8578	6.5012	3.9233	6.4061
Djibouti Rep	(Djib Fr)	268.95	177.373	107.041	174.779
Dominica	(E Carib $)	4.0757	2.6879	1.6221	2.6486
Dominican Rep	(D Peso)	19.6990	12.9914	7.84	12.8015
Ecuador	(Sucre)	3077.87o	2029.86	1224.97	2000.18
		3270.33a	2156.78	1301.57	2125.25
Egypt	(Egyptian £)	5.1103	3.3702	2.0338	3.3209
El Salvador	(Colon)	13.2081	8.7107	5.2567	8.5833
Equat'l Guinea	(CFA Fr)	861.260	568.001	342.776	559.696
Estonia	(Kroon)	20.0840	13.2453	7.9933	13.0517
Ethiopia	(Ethiopian Birr)	7.4569	4.9178	2.9678	4.8459
Falkland Is	(Falk £)	1.00	0.6595	0.3979	0.6498
Faroe Is	(Danish Kroner)	9.8578	6.5012	3.9233	6.4061
Fiji Is	(Fiji $)	2.2588	1.4896	0.8989	1.4678
Finland	(Markka)	8.1418	5.3695	3.2403	5.291
France	(Fr)	8.6126	5.68	3.4277	5.5969
Fr. Cty/Africa	(CFA Fr)	861.260	568.001	342.776	559.696
Fr. Guiana	(Local Fr)	8.6126	5.68	3.4277	5.5969
Fr. Pacific Is	(CFP Fr)	156.55	103.245	62.3059	101.735
Gabon	(CFA Fr)	861.260	568.001	342.776	559.696

Country	Currency	£ STG	US $	D-MARK	YEN (X 100)
Gambia	(Dalasi)	14.9441	9.8556	5.9476	9.7115
Germany	(D-Mark)	2.5126	1.657	1	1.6328
Ghana	(Cedi)	1396.50	920.66	555.719	907.395
Gibraltar	(Gib £)	1.00	0.6595	0.3979	0.6498
Greece	(Drachma)	388.537	[illegible]	[illegible]	[illegible]
Greenland	(Danish Krone)	9.8578	[illegible]	[illegible]	[illegible]
Grenada	(E Carr $)	4.0757	[illegible]	[illegible]	[illegible]
Guadeloupe	(Local Fr)	8.6126	[illegible]	[illegible]	[illegible]
Guam	(US $)	1.5163	[illegible]	[illegible]	[illegible]
Guatemala	(Quetzal)	8.7364	[illegible]	[illegible]	[illegible]
Guinea	(Fr)	1474.30	[illegible]	[illegible]	[illegible]
Guinea-Bissau	(Peso)	18548.75	[illegible]	[illegible]	[illegible]
Guyana	(Guyanese $)	197.775	[illegible]	[illegible]	[illegible]
Haiti	(Gourde)	18.1140	[illegible]	[illegible]	[illegible]
Honduras	(Lempira)	11.5828	[illegible]	[illegible]	[illegible]
Hong Kong	(HK $)	11.7127	[illegible]	[illegible]	[illegible]
Hungary	(Forint)	155.421	[illegible]	[illegible]	[illegible]
Iceland	(Icelandic Krona)	107.60	[illegible]	[illegible]	[illegible]
India	(Indian Rupee)	47.5625	[illegible]	[illegible]	[illegible]
Indonesia	(Rupiah)	3269.90	[illegible]	[illegible]	[illegible]
Iran	(Rial)	2634.00	[illegible]	[illegible]	[illegible]
Iraq	(Iraqi Dinar)	0.4717	[illegible]	[illegible]	[illegible]
Irish Rep	(Punt)	1.0292	[illegible]	[illegible]	[illegible]
Israel	(Shekel)	4.5505	[illegible]	[illegible]	[illegible]
Italy	(Lira)	2410.23	[illegible]	[illegible]	[illegible]
Jamaica	(Jamaican $)	49.8135	[illegible]	[illegible]	[illegible]
Japan	(Yen)	153.882	[illegible]	[illegible]	[illegible]
Jordan	(Jordanian Dinar)	1.0614	[illegible]	[illegible]	[illegible]
Kenya	(Kenya Shilling)	91.41	[illegible]	[illegible]	[illegible]
Kiribati	(Australian $)	2.1253	[illegible]	[illegible]	[illegible]
Korea North	(Won)	3.2454	[illegible]	[illegible]	[illegible]
Korea South	(Won)	1224.72	[illegible]	[illegible]	[illegible]
Kuwait	(Kuwaiti Dinar)	0.4499	[illegible]	[illegible]	[illegible]
Laos	(New Kip)	1086.84	[illegible]	[illegible]	[illegible]
Latvia	(Lats)	0.8494	[illegible]	[illegible]	[illegible]
Lebanon	(Lebanese £)	2553.31	[illegible]	[illegible]	[illegible]
Lesotho	(Maluti)	5.3382	[illegible]	[illegible]	[illegible]
Liberia	(Liberian $)	1.5163	[illegible]	[illegible]	[illegible]
Libya	(Libyan Dinar)	0.4772	[illegible]	[illegible]	[illegible]
Liechtenstein	(Swiss Fr)	2.1342	[illegible]	[illegible]	[illegible]
Lithuania	(Litas)	6.0380	[illegible]	[illegible]	[illegible]
Luxembourg	(Lux Fr)	51.7210	[illegible]	[illegible]	[illegible]
Macao	(Pataca)	12.0457	[illegible]	[illegible]	[illegible]
Madagascar	(MG Fr)	2792.55	[illegible]	[illegible]	[illegible]
Madeira	(Port Escudo)	258.833	[illegible]	[illegible]	[illegible]
Malawi	(Kwacha)	10.4156	[illegible]	[illegible]	[illegible]
Malaysia	(Ringgit)	4.0822	[illegible]	[illegible]	[illegible]
Maldive Is	(Rufiya)	16.8887	[illegible]	[illegible]	[illegible]
Mali Rep	(CFA Fr)	861.260	[illegible]	[illegible]	[illegible]
Malta	(Maltese Lira)	0.5819	[illegible]	[illegible]	[illegible]
Martinique	(Local Fr)	8.6126	[illegible]	[illegible]	[illegible]
Mauritania	(Ouguiya)	184.793	[illegible]	[illegible]	[illegible]
Mauritius	(Maur Rupee)	27.2480	[illegible]	[illegible]	[illegible]
Mexico	(Mexican Peso)	4.8583	[illegible]	[illegible]	[illegible]
Miquelon	(Local Fr)	8.6126	[illegible]	[illegible]	[illegible]
Monaco	(French Fr)	8.6126	[illegible]	[illegible]	[illegible]
Mongolia	(Tugrik)	603.60	[illegible]	[illegible]	[illegible]
Montserrat	(E Carr $)	4.0757	[illegible]	[illegible]	[illegible]
Morocco	(Dirham)	14.0021	[illegible]	[illegible]	[illegible]
Mozambique	(Metical)	8492.60	[illegible]	[illegible]	[illegible]
Namibia	(S A Rand)	5.3382	[illegible]	[illegible]	[illegible]
Nauru Is	(Australian $)	2.1253	[illegible]	[illegible]	[illegible]
Nepal	(Nepalese Rupee)	74.3429	[illegible]	[illegible]	[illegible]
Netherlands	(Guilder)	2.8197	[illegible]	[illegible]	[illegible]
N'nd Antilles	(A/Guilder)	2.7020	[illegible]	[illegible]	[illegible]
New Zealand	(NZ $)	2.6300	[illegible]	[illegible]	[illegible]
Nicaragua	(Gold Cordoba)	9.9423	[illegible]	[illegible]	[illegible]
Niger Rep	(CFA Fr)	861.260	[illegible]	[illegible]	[illegible]
Nigeria	(Naira)	33.1869	[illegible]	[illegible]	[illegible]
Norway	(Nor. Krone)	10.9004	[illegible]	[illegible]	[illegible]
Oman	(Rial Omani)	0.5839	[illegible]	[illegible]	[illegible]

Country	Currency	£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	46.2768	30.5195	18.4178	30.0733
Panama	(Balboa)	1.5163	1	0.6034	0.9853
Papua New Guinea	(Kina)	1.4405	0.95	0.5733	0.9361
Paraguay	(Guarani)	2714.10	1789.95	1080.2	1763.78
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Special Drawing Rights April 28, 1994 United Kingdom £0.940896 United States $1.41507 Germany DM2.37109 Japan Y145.045 European Currency Unit Rates April 29, 1994 United Kingdom [illegible]

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; [illegible] rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar [illegible] derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. [illegible] Friday, April 29, 1994.

FINANCIAL TIMES SURVEY

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Tuesday May 3 1994

A wounded country strives to rebuild

There are grounds for hope that the winter of 1993 was a low from which recovery has since begun. Anthony Robinson and Virginia Marsh report

Romania was the last to fall as communist regimes across central Europe collapsed in the fateful autumn of 1989. Unlike the bloodless "velvet" revolutions elsewhere in Soviet dominated Europe, the transfer of power came violently. Confused days of fighting in the streets came to a climax in the hail of bullets that killed a loathed tyrant and his even more hated wife, after a Christmas Day trial by a kangaroo court.

Since the execution of Nicolae and Elena Ceausescu, which ended a 24-year reign of tragic absurdity, the 23m inhabitants of this beautiful, potentially prosperous but deeply wounded countryhave been coming to terms with their painful inheritance.

The task has been complicated by a political transition that left many from the old regime in positions of power, and the absence of a period of reform before the abrupt change of government. While Hungary, Poland and even the Soviet Union were experimenting with market mechanisms and pluralistic political structures, the last decade of the Ceausescu regime was a period of increased megalomania, repression and intellectual isolation.

Behind the screen of a pervasive and brutal security service, the *securitate*, the Ceausescu regime decided to repay all foreign debt, while building a presidential palace of pharaonic proportions, and stunning bad taste, in the heart of historic Bucharest.

Productive investment for maintaining and modernising industry and infrastructure was halted for the best part of a decade, health and education budgets were slashed and food and raw materials were exported. Romanians went hungry and lived miserable lives in unheated, ill-lit homes and work places. Living standards, already the lowest in Europe apart from Albania, plunged as debt was paid off and the architectural heart of Bucharest was ripped out.

It is hardly surprising in these circumstances that the euphoria over the bloody downfall of the Ceausescu clan was replaced so soon by a sense of disorientation and dismay, as the full extent of the psychological, spiritual and physical damage to the nation became clear.

Perplexity began with the emergence of Mr Ion Iliescu as head of the National Salvation Front which assumed power in December 1989. He had been a leading figure in the previous regime before he fell out with Ceausescu in the late 1970s, but he was elected president with an overwhelming majority in May 1990. He was re-elected in October 1992, even though many Romanians held him responsible for the rampage of hundreds of coalminers through Bucharest only three weeks after the May 1990 election.

The failure of Mr Petre Roman, the prime minister, and his young reformist colleagues to resign in protest against the miners' bloody assault on intellectuals and selected opposition leaders, weakened the position of the younger generation of political leaders. They had the courage and energy to begin the reform process against daunting odds, but were dismissed in September 1991 after a second miners' excursion to the capital.

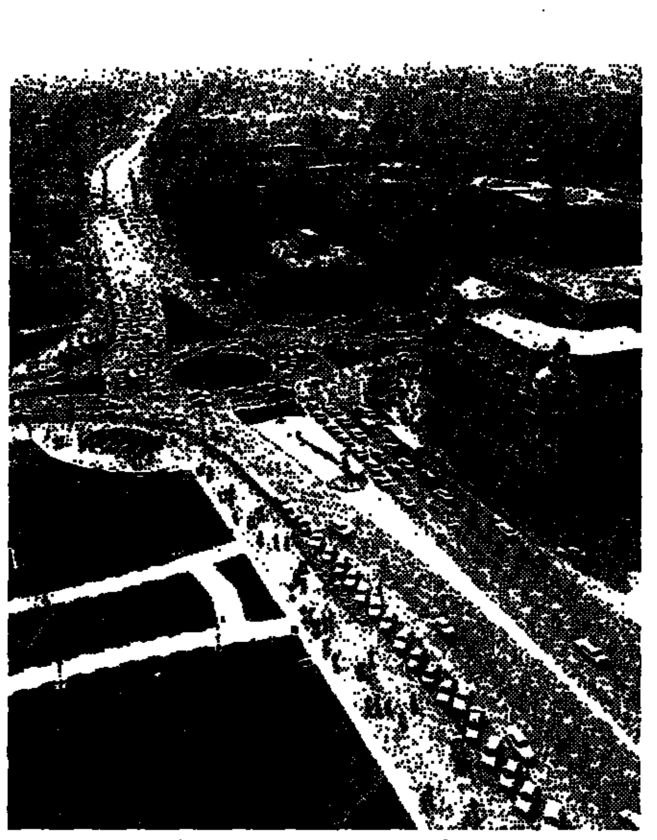
Mr Iliescu, a shrewd, if cynical, judge of his countrymen's political awareness, increased his own grasp on power after the departure of Mr Roman and was re-elected president with quasi-Gaullist powers in the 1992 presidential elections. At the same time his party, the Democratic National Salvation Front, since renamed as the Party of Social Democracy of Romania (PSDR), was confirmed as the linchpin of the political system. It won 28 per cent of the votes cast at the parliamentary elections, compared with the 27 per cent share won by the Democratic Convention (DC) – a loose 18-party coalition of the centre-right, including the ethnic Hungarian party.

The coalition is headed by Mr Emil Constantinescu, an academic. Mr Roman's hived off National Salvation Front, since renamed the Democratic Party, won 10 per cent. After the elections, the president tried to put together a grand coalition government to provide a stable parliamentary platform for the difficult reforms required to restructure the economy and create the middle class needed to underpin social progress.

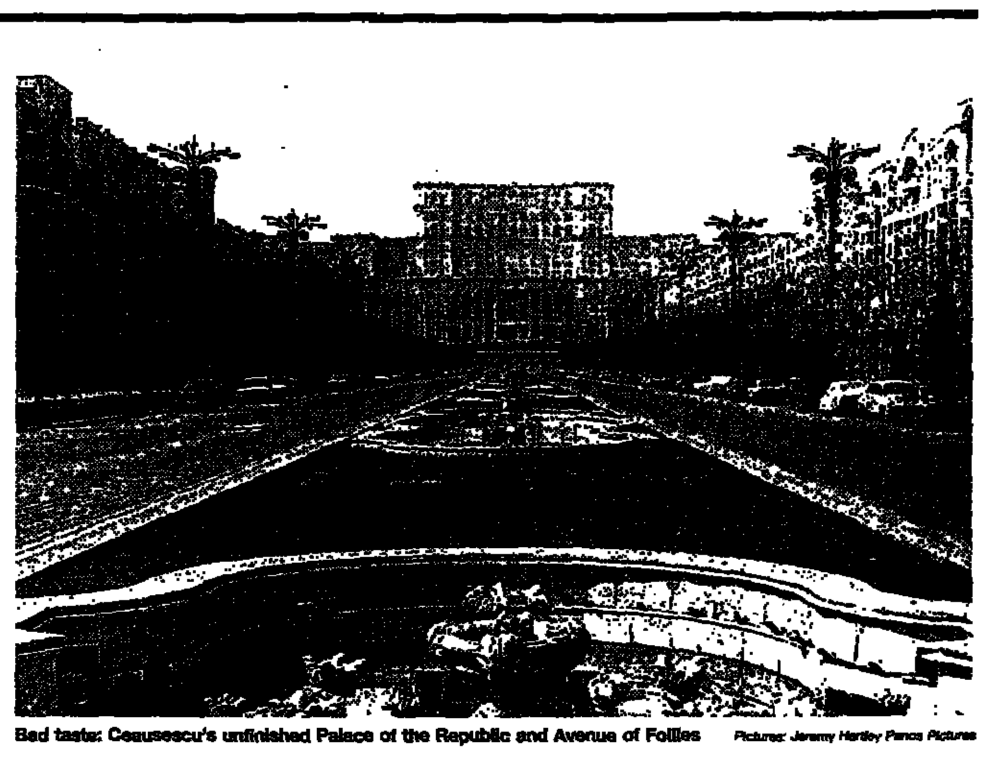
The move was repulsed by the "democratic" opposition, and Mr Iliescu's political allies in the PSDR were obliged to accept a parliamentary alliance with the Socialist Labour Party (the renamed communist party) and two xenophobic nationalist parties.

The nationalist bedfellows are the Romanian National Unity Party (RNUP) led by Mr Gheorghe Funar, the anti-Hungarian mayor of the ethnically mixed Transylvanian city of Cluj, and Romania Mare, the ultra-nationalists led by Mr Corneliu Vadim Tudor.

The president picked Mr Nicolae Vacaroiu, a former middle-level bureaucrat from the communist central planning bureau, as prime minister. The result has been a mediocre government of drift and indecisiveness, while talent has drained abroad or into the private sector, which has been steadily growing despite the slow pace of formal privatisation. The emergence of half a million small private enterprises is one of the most encouraging signs of renewed economic vitality.



Bucharest: the architectural heart of the city was ripped out



Bad taste: Ceausescu's unfinished Palace of the Republic and Avenue of Follies *Pictures: Jeremy Hartley Panos Pictures*

But, with political power mainly in the hands of men over 50 brought up in the communist school, foreign investors have held back. International financial institutions have also delayed granting the loans that are so badly needed to finance structural modernisation and infrastructure development.

There are grounds for hope that the winter of 1993, when the Leu sank to record levels against the dollar and inflation reached an annual rate of nearly 300 per cent, was a low from which recovery has since begun. If this is so, it is largely due to steady pressure from the international financial institutions and Mr Mugur Isarescu, governor of the National Bank of Romania, who appears to be backed by President Iliescu himself.

The central bank's tight monetary policy has led to the emergence of positive real interest rates, a stronger Leu, a sharp decline in inflation and a convergence between the black market and official foreign exchange rate.

The convergence has allowed a free-floating foreign exchange system to be established, which will meet one of the International Monetary Fund conditions attached to the granting of a new standby agreement.

On April 5 the World Bank board approved a $175m loan for a petroleum sector project. The bank also disbursed the $180m second tranche of a structural adjustment loan last month and is prepared to lend around $400m annually over the next five years.

Such lending, which is conditional on continuing privatisation and on market reforms, will be backed up by additional funding from the European Investment Bank and the European bank for Reconstruction and Development (EBRD). The latter has been particularly active in Romania, especially in helping to finance the commercial banking system.

At the same time, there are signs of growing foreign investor interest in Romania, which is the second largest country in the region after Poland and possesses considerable natural resources including oil, gas, fertile soil and a largely untapped tourist potential.

Romania has an association agreement with the European Union, enjoys a restored most favoured nation (MFN) status with the US and proximity to Middle East markets. It is also a member of the the potentially fast-growing Black Sea economic zone

Progress is, however, slow. Only $800m of foreign equity investment has flowed into Romania over the last four years, small beer for a country which is the largest in the Balkan peninsula. Hungary, with only 10m people but a sophisticated business class and market infrastructure, has attracted more than $5bn in the same period.

Established investors include Shell, Amoco, Enterprise Oil and Canadian Occidental, who are busy exploring both on-shore and off-shore oil and gas deposits, and European and US consumer goods multinationals such as Coca-Cola, Colgate Palmolive and Kraft Jacobs Suchard.

The government, prompted by Mr Mircea Cosea, the minister for economic reform, is introducing new legislation which offers especially attractive terms to those investing over $50m in the country.

The first to benefit from the new law should be Daewoo, the South Korean industrial group, which plans to invest more than $1bn in a series of projects.

The biggest is a $156m car assembly joint venture with Olcit, formerly the assembler of Citroen models under licence from the French car company.

But much hangs on the government's ability to convince Romanian entrepreneurs and the international financial institutions and investors that it is fully committed to speeding up the pace of privatisation, reducing the dead weight of over-sized and obsolescent industries and encouraging the emergence of more efficient private farming and privately run service and production companies.

With real incomes an average 40 per cent below the already pathetic levels of 1989, and unemployment destined to rise well above the current 11.5 per cent of the work force, the patience and fortitude of ordinary Romanians have been dangerously stretched.

A way still has to be found to bring into government and economic management a younger generation less marked by the the communist past and more receptive to the needs of an open society and competitive economy.

Chrystia Freeland and Virginia Marsh explain a two-sided economy

Twilight of the monoliths

Bucharest's monument to Nicolae Ceausescu's megalomania, the People's Palace, is so vast it is visible on satellite pictures.

It devoured as much as 10 per cent of the country's GNP during the 1980s when many of Romania's 23m inhabitants lived in the dark after 10p.m. because electricity was rationed while average food consumption was among the lowest in Europe.

Yet less than half a mile away from the People's Palace, and the socialist moonscape which surrounds it, once elegant pre-war buildings adorn narrow streets bustling with busy side-walk cafes and window shoppers cheerfully admiring high-heeled shoes and frilly skirts.

The People's Palace and the re-emerging retail districts embody the two disparate sides of the Romanian economy, now locked in a struggle over the future of a country which has the potential to be the economic engine of the Balkans.

On one hand, Romania is still a hostage of Ceausescu's particularly brutal brand of socialism, the most austere and centrally planned in Eastern Europe apart from Albania. Under Ceausescu, Romania pursued a particularly pig-headed version of socialist autarky. It focused on heavy industry, which rose to 59 per cent of industrial production, and the construction of the monolithic factories beloved by central planners.

In 1990, factories employing more than 2,000 people accounted for nearly two thirds of the workforce.

This legacy of unwieldy heavy industry, the sector which all post-communist countries have found most difficult to reform, means that in many ways Bucharest's economic dilemma bears more resemblance to the difficulties faced by the former Soviet republics to the east than those being resolved by the Visegrad countries – the Czech Republic, Hungary, Slovakia and Poland – on Romania's western flank.

In the four years since the fall of Ceausescu's regime, however, a private sector economy has emerged which now employs more than a quarter of the nation's labour force and dominates agriculture, traditionally Romania's mainstay.

Since the collapse of the Iron Curtain in 1989, Romania has returned to its historic place at the back of the East European pack. While neighbouring Hungary and nearby Poland and the Czech republic last year reduced their double digit inflation, Romania's prices rose to an annual inflation rate of 295 per cent.

It was a sad relapse for a country that, in the immediate aftermath of the Ceausescu regime, established a framework for market reforms among the most impressive in Eastern Europe. "Petre Roman's administration, the first government after the revolution, brought creative destruction. The second government, under Theodor Stolojan, introduced rigour," explains Mr Dan Pascariu, head of a new Greek-Romanian bank, backed by the European Bank for Reconstruction and Development, launched last month. "But the third, current administration of Mr Nicolae Vacaroiu brought stagnation," he adds.

The administrations led by Mr Roman and Mr Stolojan, which lasted until the September 1992 elections, privatised agricultural lands, began price liberalisation and introduced the legal framework for mass privatisation of Romania's 6,300 state enterprises. But the seeds of reform have lain fallow since the coalition of former communists and right wing nationalists was formed under Mr Vacaroiu's stewardship after the elections.

Mass privatisation, vigorously pursued in Poland, the Czech republic and even Russia, has hardly begun in Romania. The government is still talking about establishing a stock exchange later this year. Macro-economic stabilisation, which appeared within grasp 18 months ago, was sabotaged by the government's failure to improve financial discipline on loss-making factories and to introduce positive interest rates.

Frightened by the prospect of hyper-inflationary free-fall and hobbled by the refusal of the International Monetary Fund to extend new credits until Bucharest proved its ability to impose financial discipline, Romania now appears to have a second chance.

The tight monetary policy pursued by the country's technically polished central bank over the past few months appears to be working. Interest rates, highly negative for much of 1993, are now determined by weekly credit auctions and are strongly positive. By mid-April short-term rates had risen to the equivalent of several hundred per cent annually.

As a result, inflation fell sharply over the first quarter of 1994 to less than 7 per cent a month by March before a blip caused by higher domestic energy prices. The fierce squeeze on short-term interest rates has helped the central bank converge the official exchange rate with the black market rates, while rising exports have helped to boost reserves. This combination has helped create the pre-conditions for internal convertibility of the lei to move from the realm of theory to practical implementation.

There is still a danger that the blighted economy could undermine the country's promising macro-economic stabilisation

There is still a danger, however, that the blighted economy inherited from Ceausescu, and the slowness in implementing structural reforms at the micro level, could undermine the country's promising macro-economic stabilisation.

The question Romania will face over the next few months – a local version of the issue which dominates all debates about reform in post-communist economies – is the extent to which a tough and successful macro-economic policy can overcome, or perhaps serve as a catalyst for, deeper structural reforms.

The immediate outlook is fairly gloomy. At the heart of the problem is the manner in which loss-making state enterprises, dominated by heavy industry and the energy sector, have evaded the central bank's tight monetary policy by amassing enormous inter-enterprise arrears which are believed to exceed 4,200bn lei ($2.5bn), more than the entire budget expenditure in 1993.

Prevented by positive interest rates from subsidising their inefficiency by borrowing money from the banks, large state enterprises have continued to conduct business as usual, with one exception. Instead of paying each other, they have become wrapped in an obscure web of inter-enterprise indebtedness.

"In normal countries bankers speak of M0, M1, M2 and M3," moans Mr Razvan Temesan, the chairman of the Banca Romana de Comert Exterior. "But here in Romania we have invented another category: 'M-question mark', representing the unquantifiable inter-enterprise arrears."

This increasingly shaky pyramid of inter-enterprise arrears will, within the next few months, compel Bucharest to address the tough question at the heart of market reforms. Will it bail out the loss-making giants, and shatter the country's fragile macro-economic stabilisation? Or will it allow the mountain of debt to come tumbling down, dragging with it spendthrift factories and risking high unemployment and social unrest?

A report written by McKinsey, the management consultancy, in 1993 suggested that 130 enterprises were disproportionately responsible for most of the country's economic woes. Were the government to restructure forcefully or close down these monoliths, some of Romania's economic angst would dissolve. But systematically demolishing the heavy industrial structure would require a political will the nation's ex-communist leadership has yet to demon-

Continued on Page 2

A fresh attempt at privatisation is planned, writes **Virginia Marsh**

Success story needed

Reformers are hoping that this *summer's planned public offer* of up to 10 state companies will re-launch Romania's privatisation *programme* which last year ground to a halt after becoming the focus of political battles between *reformers* and conservatives.

"We hope to involve as many people as possible in the public offer and to create a critical mass behind privatisation after a year of inactivity," says Mr Adrian Nitu, vice-president of the Private Ownership Fund (POF) in the western Banat-Crisana region, one of six funds which own and manage the 6,300 *companies* earmarked for privatisation under a 1991 law.

"We've *deliberately chosen* very attractive firms – our first choice is a furniture company – as we badly need to give the public a privatisation success story."

If the offer goes ahead, Romanians will, for the first time, be able to exchange privatisation vouchers

If the offer goes ahead, Romanians will, for the first time, be able to exchange privatisation vouchers – distributed free to all adults in 1992 – for shares in state companies.

The vouchers, or Certificates of Ownership, represent the population's 30 per cent share in the 6,300 *companies* and are held by five regionally-based POFs. The state's remaining 70 per cent is held by the State Ownership Fund (SOF) in Bucharest.

The aim is to follow up the *public offer with the launching* of a stock exchange later this year. A securities commission has already been set up, under the aegis of the finance ministry, while in March, parliament finally began to discuss the securities law, drawn up with Canadian help in 1992.

The public offer and stock *exchange projects are among* the first joint projects in which all bodies involved in privatisation – namely the *six* funds, the government's economic reform council and its co-ordinating body the National Agency for Privatisation – have co-operated.

Relations between the different groups were tense last year, partly due to the appointment of Mr Emil Dima, a conservative senator in the ruling Social Democracy party, as president of the SOF.

Under Mr Dima, the SOF last year pursued management and or employee buy-outs as the main method of privatisation, invested privatisation proceeds in *decapitalised, loss-making* state companies, sat on plans to close down or restructure large, *highly unprofitable* enterprises blacklisted by the government, appointed party *loyalists to company boards* and management, and refused to decentralise power to the *POFs as provided for under the* privatisation law.

The result was that just 250 mainly *small companies* were privatised, well short of the initial target of 800-1,000; the rate of foreign investment in Romania dropped and, in 15 months, the SOF went through three general managers who were either sacked by Mr Dima or were unable to get along with him.

However, since the appointment of Mr Constantin Dumitru in February, the situation has improved.

Mr Dumitru, 54, a communist-era deputy minister of machine-building, appears determined to make the privatisation scheme work and to have more political clout than *his predecessors*.

He is co-operating closely with the POFs on the public offer and has worked out a draft mandate giving the five funds the right to negotiate sales of 100 per cent of companies *on behalf of the SOF*.

He has also signed an agreement with the European Bank *for Reconstruction and Development* under which the bank will analyse 25-30 medium-*sized companies, short-list* 10-12 and appoint a western merchant bank to find foreign buyers *for them*.

Mr Nitu of the Banat-Crisana POF, however, fears privatisation will remain highly politicised. He says the POFs' recently-appointed new boards, are "small parliaments", representing a cross-section of the political spectrum.

He points out that Mr Dima remains head of the SOF, even though asked on several occasions by the government and reportedly also by President Ion Iliescu to make a choice *between being a senator and* SOF president. He is also concerned by plans to extend the *MEBO* methodology to medium-sized and large companies.

Mr Dumitru says unco-operative managers are one of the biggest obstacles to *privatisation*

The fear is this will enable the former communist nomenklatura at the head of state companies to retain control of much of the economy. Mr Dumitru *says* unco-operative managers are one of the biggest obstacles to privatisation.

There are also many corruption cases involving company officials. Typical frauds include managers or their friends and family setting up private trading companies to handle a state company's inputs and output. Huge profits can be made by overcharging the state company for its raw *materials and underpaying for* its goods.

Analysts fear such companies account for a not insignificant part of Romania's emerging private sector which, in just four years, has risen from nearly zero to contribute 25-30 per cent of GDP, 55 per cent of retail sales and 30 per cent of *foreign trade*.

The private sector already employs more than a quarter *of the 10.5m* workforce – mainly in agriculture – and comprises more *than half a million companies* or registered entrepreneurs and family associations.

Many private companies, however, have now accumulated enough capital from trade to move into production or services. Mr Mike Hicks, deputy head of the EBRD's Bucharest office, says that in the past two years the bank has looked at private sector projects in, *for example*, ceramics, glass, wood, furniture, bakeries, mineral water bottling, *yoghurt-making*, tourism, construction, computer software, plastics and textiles.

Outside the capital, the private sector is most active in Transylvania, Romania's ethni*cally-mixed western province*, and in Constanta, the Black Sea port and tourist region.

Mr Hicks says: *"Romanians* are natural entrepreneurs... Good people are moving from the state sector into private business. The private sector has its own dynamic – there is definitely an impetus building up."

However, many private sector projects are too small for direct EBRD participation. The bank has therefore opened credit lines at local banks for *lending to small and medium*-sized companies and for projects in agriculture.

It has also taken equity stakes in three new local banks which concentrate on private sector lending. These include the Ion Tiriac Bank, set up by the Romanian-born tennis star, and a joint venture with *Wasserstein Perella, the US* boutique bank.

But private entrepreneurs say *high taxes, prohibitive* interest rates and limited access to credits are starving them of capital for medium or long-term investments.

Corporate and income tax rates are 45 per cent and up to 60 *per cent respectively*, while in the autumn, lending rates soared to 180 per cent at the central bank's weekly credit auction. The move was an emergency measure to bring down 300 per cent annual inflation but it forced many small, private businesses to shelve investment plans.

The hope is that in 1994 a more stable macro-economy and greater efforts to privatise or restructure loss-making state companies will free more resources for private business.

THE UNIONS

Slow reforms threatened

"We have a saying in Romanian – you can't cut a cat's tail in stages. That is why we must implement market reforms more rapidly," says Miron Mitrea, a well-dressed, well-built, chain-smoking man.

"I very, very strongly support privatisation – the faster, the better."

Equally, ardent followers of the market can be found throughout eastern Europe. But coming from Mr Mitrea, who also supports the central bank's tight monetary policy, praises the toughness of the International Monetary Fund and is not overly worried about unemployment, these accolades for economic reform have a *distinctly surprising* ring.

Romania's two leading trade unions held a national strike to protest at the government's failure to privatise more rapidly

For Mr Mitrea is the president of the *CNSLR-Fratia*, which, together with the Alfa Cartel, Romania's other main trade union block, represents 5.5 million people - more than half of the country's workforce.

Dismal *television pictures* of coal miners from the Jiu valley brutally beating student *protestors in June 1990, won* trade unions international notoriety as the rough enforcers of an ex-communist government's continued rule.

This is, however, a distorted image.

Romania's two leading trade unions are strong advocates of market reform, and at the end of February held a national strike to protest the government's failure to privatise more rapidly or to reform the social security system.

But Mr Mitrea, who was an engineer in a construction company before the 1989 revolution inspired him to organise the truck drivers in the company into a trade union which they elected him to lead, is afraid that the sluggish pace of reforms in Romania may be wearing out the patience of rank-and-file members.

"The attitudes of our membership towards economic reforms are changing in a negative way, and we, their leaders, do not know what to do about it," Mr Mitrea said.

"Three years ago it was easy to explain why we were pro-re form. Reform meant a good *economy and good jobs*.

"Now our members say this 'good economy' is good for nothing."

Although Mr Mitrea is confident that in the short-term the union's progressive leadership will prevail over the populist instincts of some of its members, he worries *that* eventually Romania's unions might turn against economic reforms.

If that does happen, Mr Mitrea will probably no longer be in charge.

Mr Mitrea, who many believe will opt for a career in politics, is pushing *for the* entire leadership of the union, including himself, to resign to make way for a new generation.

"War needs one kind of general, pence needs a different kind," Mr Mitrea says.

"Our revolution is over, but by *nature I am a war general*."

Chrystia Freeland

KEY FACTS

Area	299,077 sq km
Population	22.76 million
Head of State	Ion Iliescu
Currency	Romanian Leu
Average Exchange rate	1992 $1=307.95 lei
Average Exchange rate	1993 $1=760.05 lei

ECONOMY	1992	1993
Total GDP (bn lei)	5,982	18,835
Real GDP growth (%)	-15.4	+1.0
Average inflation rate (%)	210.4	256.0
Ind. production growth (%)	-23.3	+1.3
Gross external debt ($bn)	3.5	4.5
Reserves minus gold ($m)	826	1,005
Govt. budget balance (%)	-3.6	-2.0
Current account balance ($bn)	-1.5	-1.3
Exports ($bn)	4.4	4.5
Imports ($bn)	5.6	5.2
Trade balance ($m)	-1.2	-0.7
Main trading partners (%) [1]	Exports	Imports
Germany	13.9	15.9
Russia	4.3	12.7
EC	40.0	44.0

Note[1] Percentage shares of trade in 1993.
Sources: Romanian Government, IMF, EIU.

Profile of an entrepreneur

A fighter's comeback

Teodor Nachescu's career as a top communist boss came to *an abrupt end* in December 1989 when angry workers turned him out of Aris, the *machine-building factory* in Arad which he had headed for the last ten years of the Ceausescu regime.

It did not take long for the 50-year-old engineer – a self-proclaimed fighter – to *make a comeback*.

Within months, he was using the entrepreneurial skills which he had gleaned while at Aris, one of the town's two largest firms, to set up his own private company.

Today, he heads one of the most successful private groups in Banat, Romania's westernmost region. Avi Floria, the *company he set up with his* own small savings and those of 14 like-minded individuals in 1990, now *has an annual* turnover of Lei1.8bn (US$1.4m) and more than 100 shareholders. Its interests range from pig and fur farms to a laboratory providing scientific analysis for farmers and a share holding in *the town's recently established* commodities exchange.

"I was more prepared than others in 1989," he says. "With Aris, I had the chance to travel and to see how companies in western countries worked...I *became convinced that* a system based on state property could not lead the economy *forward*."

Like many of eastern Europe's most successful entrepreneurs, Mr Nachescu and his partners started in trade in order to accumulate capital for production.

Taking advantage of Arad's close proximity to the Hungarian border, in 1990 Floria began to barter Romanian fertilisers, wood, furniture and machines *for food*, car batteries and agricultural machinery imported from Hungary and the west. By the autumn of 1991, *the company* had raised enough funds to set up its first chicken farm and a metal-welding workshop.

Mr Nachescu says he went into agriculture and agro-business because of the comparatively small initial investment needed

Mr Nachescu says he went into agriculture and agro-business – one of the sectors most frequently targeted by new private firms – because of the comparatively small initial investment needed, and because he was sure there was a big market for food in Romania. He started with chicken-raising because of the quick turnover.

Every seven to eight weeks, Floria's farm outside Arad produces 90,000 chickens of 1.5kg average weight, raised from one day chicks. Mr Nachescu says his prices are the lowest in *Banat* and that although Floria is smaller than state-owned chicken companies, it already *has a 15 per cent* market share in the area.

Plans for this year include a Lei200m investment in a new 25,000 head *pig farm* and an animal feed plant. He had hoped to invest more this year but last autumn's interest rate rise to 120 per cent a year has forced him to cut back.

Now he is considering apply*ing for a dollar loan with single* digit interest from the local Banca Agricola. This operates $170m in credit lines for small farmers on behalf of the World Bank and European Bank for Reconstruction and Development.

Virginia Marsh

Twilight of monoliths

Continued from Page 1

strate. Even if, as seems likely, Romania's crippled industrial giants are allowed to continue lumbering along, the private sector is already beginning to come to the nation's rescue.

Some of the most hopeful *developments are in the countryside*, where 80 per cent of land has been privatised, *albeit in a chaotic fashion* described elsewhere in this survey.

The other point of light, or more precisely half a million points of light, is provided by the new businesses which have emerged since 1989. Although only 1 per cent of the state economy has been sold off under privatisation, Romania now boasts 500,000 private enterprises.

The private sector will receive another boost if the government makes good on even a fraction of its promise to the IMF to privatise 2,000 companies by the end of 1994.

Under the leadership of its new boss, Mr Constantin Dumitru, a communist era deputy minister, the State Ownership Fund, which currently owns 70 per cent of state enterprises and is responsible for selling it off, is gearing up for mass privatisation this year. If Mr *Dumitru*, who *has shown* he has the political muscle to coerce his erst-while colleagues, pulls off his ambitious plans, Romania's Stock Exchange will have something to trade. That would be a boon *for a country* which *many* insiders believe has vast, untapped capital resources.

Lacking a better outlet, Romanians have poured their money into shady schemes *such as the Caritas pyramid* scam, which collapsed earlier this year, or have taken it abroad.

Mass privatisation and the creation of a stock exchange would give them an opportunity to make legitimate investments in their own country, like their Polish and Czech confreres.

Romania's nascent bourgeoisie is confident that, willy nilly, market reforms will take root in their country.

"Reforms will go ahead in the long run no matter what," explains Mr Pascariu. "We are in a narrow corridor and are being pushed forward, sometimes despite ourselves. There might be zig zags in our course, but our destination is clearly a market economy."

PROFILE: President Ion Iliescu

Convert to capitalist ways

Romania has come a long way since it shed the Stalinist-style cult of personality which characterised the Ceausescu regime

But the forces of continuity remain strong and the post-Ceausescu constitution leaves many key powers in the hands of the president and commander-in-chief, including the choice of a prime minister.

Ultimately, the buck still stops with the president, which for the last four years has meant at the desk of Mr Ion Iliescu in Cotroceni, the former royal palace on the outskirts of Bucharest.

Mr Iliescu, who is also the éminence grise behind the left-wing ruling party, the recently re-named Party of Social Democracy of Romania(PSDR), is a man with his emotional roots in the communist past.

Like many of his generation, however, he appears to have undergone an intellectual conversion to the virtues of privatisation and capitalist development as a more efficient and less damaging instrument for achieving the social and political development which he once thought would be delivered through Marxism.

Mr Iliescu's father Alexandru was a leading member of the communist youth movement in Romania's small pre-war communist party, and the president himself was a senior figure under Nicolae Ceausescu before being sidelined in the early 1970s as the dictator rid himself of potential rivals.

After 18 years of semi-obscurity, latterly as the head of a state-owned publishing house, Mr Iliescu re-emerged at the head of the self-appointed National Salvation Front in December 1989 after angry crowds forced Ceausescu to flee Bucharest in a doomed escape bid.

The re-emergence of a key figure from the distant communist past rather than someone clearly identified as an opponent of the previous regime, still rankles with many Romanians who hoped for a clearer break with the old regime. But such was the degree of social and political control under Ceausescu that few Romanians were untainted by some form of collaboration with "the power" and no-one else emerged to challenge the political skills and back-up enjoyed by Mr Iliescu.

Since the chaotic early days of the post-Ceausescu period, Mr Iliescu has consolidated his position and his legitimacy by winning two presidential elections. He resembles his Ukrainian counterpart, President Leonid Kravchuk, another professional politician trained in the hard school of communist realpolitik.

His background gives him a shrewd grasp of the realities of power in a country of great regional variation, ethnic and cultural complexity, and, perhaps above all, a fragmented opposition and poorly developed civil society. But Mr Iliescu's greatest good fortune is his 18-year estrangement from power. This permits him to share the anger of millions of Romanians for the humiliation and waste of the Ceausescu years.

Looking back on his predecessor he recalls "an uneducated man who became more and more suspicious", especially after his Asian tour in 1971 when he became fascinated by Kim Il Sung (the North Korean dictator). Mr Iliescu, who accompanied Ceausescu on his procession around Asia says: "I opposed his plans to emulate the Korean model, arguing that it was simply not possible to treat human beings in this way, to suppress their humanity."

Ion Iliescu: emotional roots in the communist past *Picture: Victor Must*

But, looking back at the evolution of his split with Ceausescu, the president concentrates on the mid-1960s, a time when Romania started taking an foreign policy line independent from Moscow and, together with Czechoslovakia, was in the forefront of moves to try and liberalise the Stalinist economic and political model.

Mr Iliescu was an enthusiastic supporter of such reform in the 1960s, but he draws a veil over the 1950s when he was picked out for rapid promotion by Ceausescu, then in charge of party cadres, after ruthlessly conducting a purge of politically and socially "unreliable" university students.

In the 1950s, Stalinism and Stalinist methods were still universally practised, even by the successors who partially debunked him. But Mr Iliescu's track record as a "reformist" in the years leading to the Prague spring was known to the "reform communists" surrounding Mikhail Gorbachev. In the late 1980s Moscow sought to replace the old Brezhnevite leaders of Warsaw Pact Europe with like-minded "new men", before reluctantly coming to the conclusion that such managed change was beyond the grasp of a weakened and demoralised Soviet Union.

Mr Iliescu declines to be drawn into a discussion of whether "the revolution" of December 1989 was part of a planned neo-communist restoration similar to that attempted, unsuccessfully, in east Germany. Asked whether the events of 1989 were a revolution or a palace coup he replies that "it was a process determined by objective factors", before launching into a list of reasons why perestroika failed in the Soviet Union.

It is likely that Romanians would have been spared much suffering and indignity had Mr Ilisecu rather than the Ceausescu clan been in charge for a quarter century. Romania would probably have developed along the lines pioneered by Janos Kadar, the post-1956 leader of Hungary's "goulash communism". But then Mr Iliescu would almost certainly have shared the fate of other communist leaders in 1989 when the Soviet leadership lost its will to retain the Red Army's wartime acquisitions in central Europe.

Instead, Mr Iliescu returned to the centre of power after the Ceausescus were conveniently shot.

On several occasions since then Mr Iliescu has demonstrated his willingness to employ the iron fist, notably when the Jiu valley coalminers were called in to intimidate political opponents in June 1990 and September 1991. Mostly, however, this mean streak is kept under wraps by a wily politician whose sensitive antennae and smiling avuncular image allows him to appear as the guarantor of stability in a potentially volatile environment.

After a lengthy period of indecision following the 1992 elections he recently emerged as a supporter of the tough monetary and fiscal policies required to gain the backing of financial institutions and foreign investors.

In a long interview he underlined his support for economic policies which satisfy the lending institutions but which have led to several potentially threatening protest strikes in recent months. "There is a danger that people's patience will snap. Four years ago all applauded the return of liberty, but standards of living have fallen, unemployment has risen and many now question the value of democracy. But I think the worst is now over," he says.

"Last year we removed subsidies, introduced VAT and other taxes and inflation soared to nearly 300 per cent. But inflation was down to 5-7 per cent a month over the first two months and we are liberalising the foreign exchange market."

"Meanwhile the collapse of industrial production has been reversed, exports are rising and this year we shall benefit from higher foreign investment and new loans from the IMF, World Bank and other institutions," he adds.

The president, like several of his ministers, criticises the international institutions for dragging their heels. "When we needed their help most they were very reluctant and conservative. Now the situation is better and the co-operation is excellent, but we would have preferred help when we needed it most," he says.

But those close to the World Bank - opposition critics like Mr Petre Roman and Mr Adrian Severin and even economic advisers to the president himself - blame the government's slow-down of privatisation, its failure to close or downsize persistent heavy loss makers among the biggest state-owned industries, and a general ambivalence about market reform for "18 wasted months".

Now, even the fiercest critics acknowledge that Romania again has an opportunity to move ahead with economic reform amid thus far desultory efforts to form a parliamentary pact between the ruling party and the opposition so as to underpin the reform process.

The attempt to form a government of "national unity" in Romania failed 18 months ago and the price has been a slowdown in the pace of reform which the country can ill afford.

It remains to be seen whether better use will be made of the new window of opportunity which has emerged with the evolution of an economic policy framework acceptable to the international institutions, and relatively encouraging for the private sector.

Mr. Iliescu was interviewed by Anthony Robinson, Virginia Marsh and Chrystia Freeland.

Virginia Marsh reports on Romanian politics

Same team is still in charge

After winning the sympathy of millions around the globe who watched the 1989 Christmas revolution on their television sets, Romanians confounded their new-found western friends by electing former communists to power just five months later.

Four years on, the same team, grouped behind President Ion Iliescu, is still in charge, having won general elections in 1990 and 1992 despite its dubious political tactics, notably the use of coalminers to intimidate or assault opponents on several occasions in 1990 and 1991.

However, even President Iliescu's most fierce rivals recognise that, under his leadership, Romania has undergone great political and economic changes albeit at a pace slower than many would have wished.

"The team which hijacked the revolution from the young generation has been forced to accept several democratic changes such as a multi-party political system, a free press and the right to hold demonstrations," says Mr Corneliu Coposu, a 77-year-old former dissident who heads the National Peasants Party, mainstay of the Democratic Convention (DC), the main opposition group.

Since narrowly winning the September 1992 elections, President Iliescu's party, now called the Party of Social Democracy of Romania (PSDR), has sought to change its image as a group of unreformed, unrepentant communists by co-opting younger members and espousing market-led reforms.

"The challenge is to combine the experience of the old with the imagination of the young," says Mr Adrian Nastase, 43, the former foreign minister who became executive president of the PSDR last year.

To this end, the party has begun talks with the Democratic Convention and the Democrat Party, the other main opposition group which is led by Mr Petre Roman, Romania's first post-revolution prime minister, and which has become the standard-bearer of International Monetary Fund and World Bank-backed reforms.

The talks are aimed at broadening parliamentary support for the PSDR minority government which relies on three small former communist and extreme nationalist parties to reach a slim 53 per cent majority.

The hope is that a political pact will make parliament more effective after a year and a half in which internecine battles over often minor issues have held up important reform legislation such as the bankruptcy and securities laws.

Few, however, believe the talks will be successful in the near future, despite opinion polls indicating popular disenchantment with the PSDR government.

According to Irsop, a local market research organisation, most Romanians perceive the government as lacking direction, moving too slowly on many key reforms and acting to protect its own interests rather than those of the country.

Coposu, 77, heads the National Peasants Party

Irsop polls indicate that two thirds of the population would like to see the opposition form a government or take part in a coalition with the PSDR.

Despite the government's breakthrough this spring with the IMF, the opposition says the ruling party still has no clear reform strategy and remains held together only by allegiance to President Ion Iliescu and by the desire to stay in power. PSDR members, they say, cover too wide a political spectrum to formulate coherent policies.

The opposition has conditioned any political pact on the exclusion of the PSDR's extremist allies, the Socialist Labour Party (SLP), the former communist party, which is led by Mr Ilie Verdet, a Ceausescu-era prime minister, and the Greater Romania (Romania Mare) party, a xenophobic, anti-semitic organisation.

The opposition is pushing for western European-style subsidiarity

However, it is not clear the PSDR is prepared to ditch the two groups which in the past year have acted more like satellite parties than separate entities. Both have faithfully supported the PSDR in parliament and taken up second-level posts in the administration. Their intemperate outbursts and slur campaigns against reformers in the government and opposition have drawn little public criticism from the PSDR.

The opposition says the real agenda of the PSDR and its allies – drawn from the former communist nomenklatura of state factory bosses, secret police and second-level bureaucrats – is to stall reform while they attempt to maintain their control of state institutions and state property.

"They are no longer fighting for Marxist-Leninist ideals but to protect their interests," Mr Coposu says, alluding to many recent corruption cases involving members of the PSDR or those close to it.

The PSDR has attempted to consolidate its power not just in central government but in state enterprises and at the lower levels of the administration where competent technocrats have been weeded out in favour of the loyal. The party has also been unwilling to devolve power to local government, preferring to rule the country's disparate and ethnically diverse regions from Bucharest.

It is only now introducing local tax laws to provide revenues for elected local governments which, in many areas, are controlled by the opposition.

The opposition, which includes the party of Romania's 1.7m ethnic Hungarian minority, is pushing for western European-style subsidiarity and a high degree of local autonomy.

However, the inclusion in the Democratic Convention of the Hungarian party has been one of the many sources of tension within the Convention. The DC, a loose coalition of anti-communist, intellectual and liberal parties, has failed to use its time in opposition to resolve differences over issues ranging from economic policy to the restoration of the monarchy and the Hungarian minority.

The DC's internal divisions have been exploited by the ruling alliance which includes the Romanian National Unity Party, an anti-Hungarian group which, like the Hungarian minority, is based in Transylvania, Romania's western province which was ruled by Budapest until 1920.

With its populist, nationalist slogans, the RNUP, like the SLP and Romania Mare, has won support by playing on the fears and ignorance of a population emerging from totalitarian rule and struggling to survive a severe economic recession.

Mr Coposu says: "After 45 years of Soviet and communist darkness, Romanians have lost their political intuition. The civic level needs to increase for people to be able to fashion political positions normally again."

The fear is that – as in Russia – extremists will gain more ground if an ailing economy causes living standards to fall further and prevents the formation of a solid middle class capable of supporting centre-right parties and western-style democracy.

Anthony Robinson and **Virginia Marsh** on an open line foreign policy

Middleweight with mission

When Serbia's President Slobodan Milosevic, an international pariah in the eyes of the United Nations, visited Bucharest in April he was given the full red carpet treatment by his Romanian hosts.

For President Ion Iliescu and Mr Teodor Melescanu, his foreign minister, the niceties of international protocol mattered less than the opportunity to continue a dialogue with their Balkan neighbour. The Serbian leader's visit allowed them to offer their good offices for the resolution of a conflict which has already cost Romania billions of dollars and which could still develop into a wider conflict.

"Starting from the idea that there is no military solution but a kind of balance of forces in former Yugoslavia, we see our role to encourage and assist the parties to find a solution and keep the lines of communication open," says Mr Melescanu, who earlier had been host to the Croat president Franjo Tudjman and is expecting a visit shortly from the Bosnian president Mr Alija Izetbegovic.

"We believe that there can be no solution without Serbia and that pushing isolation too far encourages extremist forces. Many Serbs believe that an international conspiracy is ranged against them," he added.

But Romania's foreign policy interests range well beyond the Balkans and the wider Black Sea region which Bucharest sees as a promising focus for future economic development as well as a forum for promoting greater stability and co-operation in the region.

As in Britain, Romanian politicians believe that Romania should "punch above its weight" in international diplomacy. This belief was taken to extreme lengths during the Ceausescu years when the dictator persuaded western countries to turn a blind eye to his repressive domestic policies by defying Moscow and vying

Teodor Melescanu: 'No country in this area can survive on its own'

with Yugoslavia's Marshal Tito for influence among the "non-aligned countries" of the third world. An active and highly personalised foreign policy gave Mr Ceausescu an excuse to jet-set around the world, hob-nob with the mighty, sleep in Buckingham Palace and develop political and economic ties with countries as diverse as China and Israel.

The foreign policy of the post-Ceausescu regime is more modest and more closely tied to national interests. Romania's close interest in the evolution of the Yugoslav imbroglio for example can be easily explained by the long common border with Serbia which means, Mr Melescanu underlines, that "we are vitally interested in containing the conflict and preventing its extension".

It is not only a security issue. The UN embargo on trade with Serbia has severely damaged transit down the Danube and a once thriving trade between the two countries and blocked several Romanian-Yugoslav joint ventures. On the other hand, the break up of Yugoslavia has reinforced Romania's status as the biggest state in the Balkan region, capable of playing an important role in the wider Black Sea region.

To this extent, Romania looks both east and west, maintaining good relations with Greece and Turkey and anxious to rebuild its economic links with middle eastern markets. The present government is more at home with this two-dimenensional policy than opposition leaders who tend to argue that Romania's future security and prosperity depends upon the greatest possible integration into western economic and security organisations, particularly the European Union and Nato.

Mr Corneliu Coposu, president of the National Peasants Party, the mainstay of the Democratic Convention, says "the government wants to maintain its non-orientated path, to rotate the wheel to east or west".

But Mr Melescanu points to a series of recent moves that underline Romania's desire for closer ties to the west. Last year, Romania signed an association agreement with the EU and recently became the first post-communist state to sign up to Nato's proposed partnership for peace. "No country in this area can survive on its own and neutrality is no longer applicable," he adds. "The only choice for us is membership of Nato which we see as an efficient supporter of democratic values."

Romania is acutely aware that economic weakness prevents it pulling its full weight as a country with 23m inhabitants and good connections to the Middle East as well as both eastern and western Europe. But its image in the west has also been adversely affected in the past by outbreaks of intolerance against ethnic minorities, especially the nearly 2m ethnic Hungarians, concentrated mainly in Transylvania, and the large gypsy communities.

Romanians are neither less tolerant nor more violent than other people

The exodus of hard working, ethnic Germans from the Transylvanian towns and villages, settled since the 13th century by descendants of Saxon immigrants, has already been a great cultural and economic loss. The airing of historical resentments against ethnic Hungarians by Romanian nationalists risks causing a similar haemorrhage of talent and skills unless sensitively handled by leaders of both communities.

Both can rely on a degree of moral and practical support from governments in Bonn and Budapest. But such support is not available to gypsies, whose plight has worsened substantially throughout former communist Europe with the new freedom to express ancient resentments and the bitter economic contest for housing, jobs and other scarce resources.

Romanians are probably no less tolerant, nor more violent, than other people. But life here is hard and still getting harder for millions of people. Until prosperity returns, an undercurrent of ethnic tension will continue to test the patience and tolerance of majority and minority alike, and affect the image which Romania presents to the wider world.

Chrystia Freeland examines the effects of an agricultural revolution

Capitalist instincts sprout

Picture the 1992 Los Angeles riots taking place in the countryside and you will get a fairly accurate picture of how Romania's agricultural reforms were conducted after the 1989 revolution.

Valentina Vladoiu: 'After 1989, everyone grabbed everything he could'

Picture: Victor Mann

Irrigation systems were torn apart by peasants who needed pipes and spare parts, tractors were cannibalised and herds of livestock were split haphazardly among their shepherds. "After 1989, everyone grabbed everything he could," explains Valentina Vladoiu, who runs what is left of the state farm in the mountain village of Calvini. She is also president of an association of 28 private farmers who have teamed up to create a 32 hectare farm.

Three gutted barns 200m from Mrs Vladoiu's two-storey home show the scant resources the farmers have to work with. Timbers, window frames and even electrical fuses have been looted, leaving skeletal structures. Mrs Vladoiu says: "Those who were stronger and quicker took everything."

Thisbrutal privatisation was made formal in 1991, when the government passed a land decree meant to return property to its pre-war owners. More than 80 per cent of arable land in Romania is in private hands, although the new owners do not yet have the right to buy and sell their holdings.

Survival of the fittest proved to be the guiding principle in the redistribution of agricultural land. Driving over a muddy dirt track through her village Mrs Vladoiu points to the most fertile, black, loamy fields in the valley and reels off the names of their owners. One belongs to the mayor; the next to his brother; further along are the new, private holdings of his best friends.

The picturesque but barely fertile fields that climb up the slopes of the mountains surrounding Calvini were reserved for less well-connected villagers. "Of course this is causing tension in the village," says Mrs Vladoiu. "Those who had the best land before the war now have the worst and vice versa."

Giving land back to the peasants, who account for 45 per cent of Romania's population, wiped out one of the few achievements of socialism in the agricultural sector. The large collective farms were cut into the inefficient, handkerchief-sized plots that were the Eastern European norm before the second world war.

These radical and chaotic rural reforms led to a disastrous fall in agricultural production in 1990-92 of between 20 and 30 per cent on the figures of the late seventies and early eighties. But agricultural production is recovering. The harvest in 1993 was 12.4 per cent higher than 1992.

Western experts say that, in the agricultural sector, Romania's radical approach has

Entrepreneurs are assembling large, viable farms

brought irreversible reforms.

"The beauty of the big bang approach is that it brings a creative destruction," says Mr Mike Hicks, deputy head of the European Bank for Reconstruction and Development in Bucharest. "In Romania they broke their legs in the fall, but now agriculture is starting to crawl its way up and eventually the bones will heal."

Shops full of meat and cheese – a minormiracle in a country that, in the 1980s, had one of the lowest average calorie consumptions in Europe – is one sign of healing. Another is that ever-more-prosperous entrepreneurs are assembling large, viable farms by leasing land from dozens of individual owners.

Two hurdles must be cleared before Romania can reclaim its traditional position as one of the chief agricultural producers in central Europe. First, farmers have not been given formal, legal title to their land, and sale of the newly privatised rural properties is banned for ten years. Without clear titles, farmers are finding it difficult to obtain credits to buy machinery, seed, fertilisers and herbicides. The ban on the sale of land is slowing the creation of larger, more efficient farms.

The second issue, often overlooked by the architects of agricultural reform in post-communist economies, is how agriculturalmaterials and products are distributed.

In highly centralised Romania a single organisation, Romcereal, supplied all agricultural materials: seed, fertilisers, pesticides, herbicides and fuel. It collected, stored and distributed all the agricultural products in the autumn. A sister organisation controlled most heavy agricultural machinery.

Romcereal maintains its monopoly on distribution, despite land privatisation. Many private farmers – often unable to get credits and with limited access to agricultural materials and machinery – have little alternative but to indenture themselves to Romcereal.

In return for a guaranteed supply of materials, they agree to sell part of their grain to Romcereal at reduced prices.

Gradually Romcereal's monopoly is being eroded. It faces stiff competition from western commodities companies offering similar package deals, but with higher quality products and better prices. Some rural entrepreneurs are becoming rich enough to buy their own materials, build their own granaries and sell their crops at market prices.

Better still, Romcereal is beginning to collapse from within, as capitalist instincts start to sprout in the hearts of the old agricultural bosses. Mr Alexandru Chioreanu, the head of Romcereal's branch in the Transylvanian town of Arad, is eager to break away from the domination of his head-office in Bucharest and, eventually, to break up and privatise Romcereal.

"We are not very interested in what Bucharest has to say anymore," Mr Chioreanu says. "Instead, it is they who must listen to us. There is no doubt that Romcereal should be broken up. The state should retain two or three silos and the rest should be completely privatised." When that happens, Mr Chioreanu will probably have the option of becoming the head of a local commodities trading company, Arad's version of Cargill.

But he has a different capitalist dream. He is trying to piece together a 100 hectare farm which he will run as soon as Romcereal is pushed into the private sector.

FOREIGN INVESTMENT

Daewoo leads drive

Romania hopes a planned half-billion dollar investment in its car industry by South Korean industrial giant Daewoo will soon put its foreign investment drive on the map, after four years of lagging well-behind central European countries in the race to attract western capital.

Under the deal, which is close to completion, Daewoo would take a 51 per cent stake in Oltcit, Romania's second car manufacturer, for $156m. It aims to invest a further $370m to lift production capacity to 200,000 cars a year by 1998.

The proposed deal, by far the largest single post-communist investment in Romania, comes after a disappointing year in 1993 in which the rate of foreign investment slowed compared with the paltry levels of 1992. Only a further $227.4m was committed during 1993, bringing the total to $760.5m since 1990, according to the Romanian Development Agency (RDA), the country's inward investment body.

The adoption of a liberal foreign investment law in April 1991 led to a spate of landmark deals that year and in 1992. These included investments in industry by companies such as Asea Brown Boveri, the Swiss-Swedish engineering group, Colgate-Palmolive, the consumer products manufacturer, and Siemens, the German telecommunications and engineering group. Bouygues, the French construction company, began work on a $120m World Trade centre due to open this week while oil companies Shell, Amoco, Canadian Occidental and Enterprise Oil were awarded on-shore and Black Sea exploration contracts.

Investor confidence was shaken by the victory of former communists in the 1992 general election

Investor confidence was, however, shaken by the victory of former communists in the September 1992 general election and the new government's failure, in 1993, to achieve macro-economic stability or to implement the privatisation scheme it inherited.

The hope is that agreements this spring with the International Monetary Fund (IMF) and World Bank will create a better investment climate after last autumn's near descent into hyperinflation.

Maintaining internal convertibility of the Leu, recently achieved for the first time since the summer of 1992, is one of the government's goals this year and remains a critical issue for foreign investors. Although foreign companies are allowed to repatriate 100 per cent of profits, acute shortages of hard currency last year made this almost impossible. It also restricted companies' ability to import raw materials and other goods needed for local production.

The privatisation scheme was slow to get off the ground, making joint ventures with state firms the main vehicle for foreign investment in Romania. Even these were held up last year when the RDA had to clear deals through the newly-established State Ownership Fund, the main engine of privatisation, which was plagued with start-up problems and saw four general managers in its first 15 months.

However, under Mr Constantin Dumitru, general manager, the SOF has begun to tackle its mandate more seriously. It has asked the development agency to find foreign partners for some 100 priority companies after making just two sales to foreign companies before Mr Dumitru's arrival in February.

The SOF is also co-operating in a series of public offers this summer, to be followed by the much-delayed opening of a stock market later in the year. The hope is that the Bucharest exchange will suck in significant foreign investment.

External financing for projects has also eased. Most Western European countries have extended investment and credit guarantees which remained limited owing to the political and social instability of 1990 and 1991.

International financial institutions such as the World Bank and European Bank for Reconstruction and Development have also started to open credit lines at Romanian banks for local projects.

The largest of these is $170m for agriculture and agro-business which, with other consumer goods industries, are among the top areas of foreign interest.

Romanians, who were starved of food and western goods in the 1980s, have a huge appetite for consumer products. The country, with a population of 23m, is eastern Europe's second largest market after Poland.

Infrastructure projects, often financed from abroad, are also attracting foreign investors. Siemens, for example, formed a local joint venture to manufacture digital switchboards for the Romanian telecommunications company which has embarked on a multi-billion dollar, 10-year modernisation programme.

Similarly, Italian firms are teaming up with local partners to upgrade border crossings and 1,000km of roads as part of a $400m project co-financed by the World Bank, EBRD and European Investment Bank.

Virginia Marsh

WORLD STOCK MARKETS

INDICES

	May 3	Apr 29	Apr 28	1994 High		1994 Low	
Argentina							
General (29/12/77)	(c)	19119.28	19189.8	25470.40	18/2	17758.90	20/4
Australia							
All Ordinaries(1/1/80)	2047.9	2038.1	2069.1	2340.60	3/2	2029.80	21/4
All Mining(1/1/80)	950.2	951.9	981.2	1138.19	3/2	937.70	21/4
Austria							
Credit Aktien(30/12/84)	426.14	422.89	423.57	469.86	2/2	413.73	25/4
Traded Index(2/1/91)	1102.70	1092.31	1095.72	1222.25	1/2	1067.92	25/4
Belgium							
BEL20 (1/1/91)	(c)	1522.00	1523.54	1542.65	9/2	1492.76	30/3
Brazil							
Bovespa (29/12/83)	(u)	17084.0	16727.0	17084.00	29/4	3800.90	3/1
Canada							
Metals Mins♦(1975)	(u)	3479.64	3482.25	3879.59	18/3	3299.06	20/4
Composite♦ (1975)	(u)	4267.12	4270.78	4689.90	23/3	4106.90	20/4
Portfolio§§ (4/1/83)	(u)	1984.73	1980.02	2182.59	1/2	1913.37	19/4
Chile							
IPGA Gen (31/12/80)	(u)	4200.3	4242.6	4967.88	4/2	3801.30	4/4
Denmark							
CopenhagenSE(3/1/83)	394.89	(c)	397.52	416.79	2/2	370.74	3/1
Finland							
HEX General(28/12/90)	1842.1	1843.2	1850.8	1972.00	4/2	1691.18	3/1
France							
SBF 250 (31/12/90)	1455.54	1445.40	1440.33	1585.20	2/2	1402.99	21/4
CAC 40(31/12/87)	2186.23	2165.98	2150.25	2355.93	2/2	2081.94	31/3
Germany							
FAZ Aktien(31/12/58)	858.72	849.56	853.60	858.72	2/5	776.33	2/3
Commerzbank(1/12/53)	2465.50	2438.00	2451.60	2465.50	2/5	2221.20	2/3
DAX (30/12/87)‡	2268.65	2245.98	2261.22	2268.65	2/5	2020.33	2/3
Greece							
Athens SE(31/12/80)	(c)	(c)	988.71	1194.58	18/1	954.39	12/4
Hong Kong							
Hang Seng(31/7/64)	8799.70	8988.07	9163.09	12201.09	4/1	8667.03	21/3
India							
BSE Sens.(1979)	3720.7	3748.1	3740.4	4597.90	28/2	3454.00	5/1
Indonesia							
Jakarta Comp.(10/8/82)	461.61	462.40	465.28	612.89	5/1	454.32	25/4
Ireland							
ISEQ Overall(4/1/88)	(c)	1852.98	1855.07	2082.16	20/1	1801.85	5/4
Italy							
Banca Comm Ital (1972)	(u)	799.47	808.26	813.83	27/4	588.85	10/1
MIB General (4/1/94)	(u)	1289.0	1303.0	1312.00	27/4	944.00	10/1
Japan							
Nikkei 225 (16/5/49)	19570.21		(c) 19725.25	20677.77	16/3	17369.74	4/1
Nikkei 300 (1/10/82)	291.25		(c) 293.10	304.25	1/3	268.22	4/1
Topix (4/1/68)	1593.48		(c) 1603.33	1653.27	16/3	1445.97	4/1
2nd Section (4/1/68)	2275.69		(c) 2277.39	2280.82	22/4	1873.33	4/1
Malaysia							
KLSE Comp.(4/4/86)	(c)	1054.50	1056.34	1314.46	5/1	928.33	4/4
Mexico							
IPC (Nov 1978)	(u)	2294.1	2321.23	2881.17	8/2	1957.33	20/4
Netherland							
CBS TtlRtnGen(End 83)	432.3	434.1	436.0	454.90	31/1	417.40	5/4
CBS All Shr (End 83)	279.2	280.5	283.1	294.80	31/1	268.00	31/3
New Zealand							
Cap. 40 (1/7/86)	2096.15	2110.20	2127.80	2409.64	3/2	2049.17	5/4
Norway							
Oslo SE(Ind)(2/1/83)	1091.41	1104.91	1115.63	1211.10	28/2	1072.57	3/1
Philippines							
Manila Comp (2/1/85)	2885.44	2844.22	2854.46	3308.37	4/1	2507.33	9/3
Portugal							
BTA (1977)	3094.2	3093.6	3100.0	3226.60	18/2	2619.90	3/1
Singapore							
SES All-S'pore(2/4/75)	(c)	574.12	576.60	641.61	4/1	523.28	4/4
South Africa							
JSE Gold (28/9/78)	1999.0¥	1999.0	(c)	2331.60	4/1	1749.00	14/2
JSE Indl. (28/9/78)	6415.0¥	6413.0	(c)	6415.00	2/5	5446.00	19/1
South Korea							
KoreaCompEx(4/1/80)**	919.26	900.14	909.39	974.25	2/2	855.37	2/4
Spain							
Madrid SE (30/12/85)	(u)	325.22	323.58	358.31	31/1	308.73	20/4
Sweden							
AffarsvarldnGen (1/2/37)	1488.90	1483.40	1477.50	1603.90	31/1	1403.80	31/3
Switzerland							
Swiss Bk Ind (31/12/58)	1317.37	1304.18	1318.26	1423.34	31/1	1288.64	2/3
SBC General (1/4/87)	977.85	967.72	979.91	1083.29	31/1	967.72	29/4
Taiwan							
WeightedPr.(30/6/66)**	5777.48	5729.12	5887.86	6464.52	6/1	5194.63	19/3
Thailand							
Bangkok SET (30/4/75)	(c)	1266.67	1271.14	1753.73	4/1	1196.59	4/4
Turkey							
Istanbul Comp.(Jan 1986)	14192.6	15096.8	15826.3	20663.60	13/1	12980.70	24/3
WORLD							
MS Capital Int (1/1/70)§	615.6*	617.3	615.0	641.00	1/2	591.60	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	(c)	1462.82	1468.96	1548.19	31/1	1393.80	2/3
Euro Top-100 (26/6/90)	1265.92	1263.23	1263.21	1311.01	2/2	1202.48	2/3
JCapalDrgns (31/12/88)	(u)	(u)	314.24	395.19	5/1	290.28	21/3
Barings Emerg.(7/1/92)	152.85	153.00	153.65	182.72	14/2	141.65	21/4

** Sat Apr 30: Taiwan Weighted Price 5737.30; Korea Comp Ex 908.72. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 25 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: May 3 - 2266.72 +14.21

US INDICES

Dow Jones	Apr 29	Apr 28	Apr 26	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3681.69	3668.31	3699.54	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	98.59	98.56	98.83	105.61 (21/1)	98.27 (21/4)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1680.13	1635.63	1624.81	1862.29 (2/2)	1546.02 (20/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	199.38	197.54	198.59	227.06 (3/1)	192.99 (4/4)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3707.87 (3723.93) Low 3642.13 (3640.35) (Theoretical♦)
Day's high 3689.42 (3704.89) Low 3658.08 (3657.80) (Actual♦)

Standard and Poors	Apr 29	Apr 28	Apr 26	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	450.99	449.10	451.87	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials¥	525.00	523.22	525.44	568.59 (2/2)	510.05 (21/4)	568.59 (2/2/94)	3.62 (21/6/32)
Financial	43.40	43.09	43.53	46.56 (31/1)	41.39 (4/4)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	250.36	249.13	250.41	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	439.91	438.92	438.20	487.89 (2/2)	427.80 (20/4)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	733.84	731.69	734.21	803.93 (18/3)	705.51 (20/4)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Apr 29	Apr 22	Apr 15	Year ago
Dow Jones Ind. Div. Yield	2.76	2.79	2.77	2.99
	Apr 27	Apr 20	Apr 13	Year ago
S & P Ind. Div. yield	2.48	2.56	2.51	2.57
S & P Ind. P/E ratio	23.94	23.24	23.67	29.46

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Jun	450.35	450.35	-	450.75	448.15	59,131	189,810
Sep	452.40	452.40	-0.20	452.70	450.35	261	8,237
Dec	-	455.10	-	455.25	453.10	25	5,764

Open interest figures are for previous day.

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
May	2183.0	2189.0	+16.0	2205.0	2182.0	20,049	11,307
Jun	2169.0	2172.0	+15.0	2184.0	2169.0	30,221	674
Jul	2174.0	2169.0	-	2174.0	2174.0	11,630	2

Open interest figures for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
RJR Nabisco	6,608,700	6¼	-⅛
Crescent	4,234,000	28¾	—
K Mart	3,382,100	16⅛	-⅛
Ford Motor	3,355,100	58⅜	+⅞
Telefonos	2,900,400	58⅞	-⅛
Chrysler	2,889,500	47⅝	-1¼
Motorola	2,702,600	44½	-⅛
Blockbuster	2,317,400	27⅛	+1⅛
Tele Danmark	2,271,000	25	-⅛
Merck	2,230,100	29⅝	-⅛

■ TRADING ACTIVITY

● Volume (million)	Apr 29	Apr 28	Apr 26
New York SE	293.910	323.144	287.981
Amex	12.802	20.138	16.164
NASDAQ	(u)	308.691	285.543
NYSE			
Issues Traded	2,767	2,810	2,785
Rises	1,298	913	1,258
Falls	846	1,267	918
Unchanged	623	630	609
New Highs	29	31	38
New Lows	48	68	62

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¥ Subject to official recalculation.

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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(a) Due to problems at the exchange, Italian prices are unavailable.

■ TOKYO - MOST ACTIVE STOCKS: Monday, May 2, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Brother Inds	5.2m	665	+27	Marubeni	1.7m	515	-4
Yamato Trans	2.9m	1,250	-10	Meiji Saika	1.5m	640	+23
Tokyo Broadcast	2.4m	1,720	-30	NEC Corp	1.2m	1,110	-20
Wakachiku Const	1.9m	655	+15	Fujitsu	1.1m	1,000	-20
Hitachi	1.8m	951	-9	Nippon Steel	1.1m	344	-3

WORLD STOCK MARKETS

AMERICA

Dow rebounds after sharp early decline

Wall Street

US stocks rebounded from an 18 point decline yesterday morning, even although bonds remained stubbornly anchored in negative territory, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 2.68 better at 3,684.37, while the more broadly based Standard & Poor's 500 was unchanged at 450.91 in moderately active trading.

In the secondary markets, the American SE composite dipped 1.03 to 438.88, but the Nasdaq composite gained 3.25 to 737.09.

A downward drift in share prices at the opening accelerated into a full-scale retreat soon after the National Association of Purchasing Management released its monthly report.

A more bullish market may have interpreted the data as the best of both worlds, as it indicated that the economy had grown at a better-than-expected pace in April, while prices had risen more slowly than expected.

In the event, stocks chose to focus on the bond market, a path which led to solid losses by mid-morning. With sentiment weighed down by a host of unfavourable technical factors and an overriding uneasiness over monetary policy, Treasuries were sliding anew in thin trading. If anything, the NAPM prices data prevented an even sharper decline.

By midday, the price of the benchmark 30-year government bond was moderately down, while the yield approached 7.40 per cent.

Still, share prices managed to battle back to near their opening levels by midday, and were hovering just above them in early afternoon.

Among individual issues, Eastman Kodak was $1⅝ higher at $43⅛ with Mr George Fisher, its new chairman, set to brief analysts today on the company's outlook.

Ford climbed $1⅛ to $59½ but Cummins, a diesel-engine manufacturer, shed $1⅝ to $41⅞.

Exxon dropped $1 to $61⅞ as the energy group began defending itself in an Alaskan court against thousands of civil claims arising from the Exxon Valdez oil spill five years ago.

Syntex jumped $8⅝ to $23¾ on news that Roche, the Swiss drugs group, had made an agreed $5.3bn takeover bid for the company. The offer valued the shares at $24 each.

Elsewhere, Upjohn gained $1⅞ to $28⅞ amid speculation that its weak new-product development programme would make it the sector's next target. Buying spilled over into Merck's stock, pushing it up $1¼ at $30⅞.

On the Nasdaq, Wellfleet surged $4⅞ to $78¼, with no apparent news triggering the upturn. Microsoft added $1⅞ to $94¼ after announcing a development pact with Texas Instrument.

Canada

Toronto stocks edged lower at midday with volume inflated by brisk dealings in new PWA Corp new shares. The TSE 300 composite index dipped 2.11 to 4,265.01 in 76.77m shares, 55.7m of which were PWA's new class A. Declining issues led advances by 296 to 238 with 228 unchanged. PWA Corp A shares lost C$0.050 to C$0.470 while PWA Corp common eased C$0.03 to C$0.50.

SOUTH AFRICA

Shares overcame early weakness as the market took a post-election pause, with afternoon prices boosted by a firmer gold price and a weaker financial rand. The overall index rose 3 to 5,362, after losing 1 per cent in early trade. Industrials picked up 2 to 6,415 and golds finished unchanged at 1,999. Anglos lost R2.50 to R232.50 but SAB rose R1.50 to R99.

EUROPE

Strong financials take Frankfurt to record high

The absence of British participation took the edge of bourse trading, but German investors seemed happy to do without foreign support, *writes Our Markets Staff.*

Other senior bourse had their problems: technical bugs delayed the Paris opening by four-and-a-half hours; Milan, after extended attempts to clear a blockage in the system, suspended trading for the whole day; and Madrid, taking a local holiday, saw its thunder stolen by a combination of Barcelona, Bilbao and Valencia.

FRANKFURT hit a record closing high, although strength in financials was offset by a less enthusiastic performance in many cyclicals, and falls in the big three chemicals stocks after profit-taking.

The Dax index rose 22.67 to 2,268.5 with German traders especially encouraged by the DM67, or 2.6 per cent gain to DM2,655 in Allianz on a higher dividend, the deep discount on the insurer's planned rights issue and on relief that rumours of a negative weekend magazine article on the company turned out to be unfounded.

Brokers also saw switching from chemicals, which saw gains of around 10 per cent on last week's first quarter figures, into financials, where Bayernverein rose DM13 to DM524, Commerzbank by DM7.50 to DM366.50, and Deutsche Bank DM15.30 to DM796.50 as shock waves following the Schneider property debacle continued to diminish.

Turnover eased from DM9.1bn to DM7.9bn. In chemicals, Bayer and Hoechst both fell DM4.50, to DM389.30 and DM3.60 respectively, BASF losing DM2.30 at DM327.

PARIS finished below its highs after a delayed, but strong start, the CAC-40 index closing 20.27 higher at 2,186.23. Turnover was thin at FFr2.07bn.

The market had little time to react to initial issues but it marked its satisfaction with the stake-holding deal involving LVMH, the world's largest luxury goods group, Christian Dior and Guerlain, the French fragrance house. LVMH rose FFr15 to FFr944 and Dior by FFr12.60 to FFr425. In the same general area, L'Oreal extended its uptrend with a rise of FFr27 to FFr1,262.

Meanwhile, Club Méditerranée, the leisure group, had what dealers called a technical bounce, recovering FFr19.90, or 4.8 per cent to FFr433.90 after Friday's 7 per cent drop.

● The SBF, the French stock exchange association, said yesterday that that work at the weekend to increase the number of connections to its trading network had disrupted the exchange's software, causing delays in the re-booting of the computer system, *writes John Ridding in Paris.*

The disruption was the latest in a series of technical hitches over recent months, resulting from increased demands on the system and a programme of modernisation. The Paris bourse has seen a sharp rise in trading volume, partly because of the French government's privatisation programme, and an increase in the number of connections demanded by stock brokers.

AMSTERDAM saw thin trading with many foreign investors hesitant ahead of today's general election. The AEX index rose 0.66 to 413.92.

Chemicals continued their rally. DSM put on Fl 1.90 to Fl 140.30 in advance of today's results while Akzo added Fl 2.60 to Fl 226.30 in continued response to last week's better than expected figures.

Philips rose Fl 1.10 to Fl 55.40 amid bullish forecasts for first quarter net profits, due tomorrow: analysts expect profits to rise by up to 200 per cent.

In contrast, the dollar's weakness left Royal Dutch Fl 4.10 down at Fl 200.20.

ZURICH turned higher, with London's closure removing some of the selling pressure which was evident at the end of last week. The SMI index added 31.9 to 2,768.2.

Ciba registered rose SFr31 or 3.7 per cent to SFr868.

Brown Boveri put on SFr13 to SFr1,303 on news that Asea had won a German power-plant contract in a consortium worth $330m, of which around $240m is earmarked for Asea.

Rieter, in textile machinery, added SFr50 to SFr1,780 ahead of today's annual news conference. In telecoms, Ascom rose SFr20 to SFr1,330 as it named a new chief financial officer.

MADRID, closed for financial news, heard threats of further revelations on the political corruption front. Based on trading in other Spanish bourses, the Ibex 35 index fell 28.64 to 3,492.09. Telefónica reflected mid-morning weakness on Wall Street with a fall of Pta40 to Pta1,790; but the linked banks, Santander and Banesto, escaped the downtrend with rises of Pta80 to Pta5,890, and Pta125 to Pta1,250 respectively.

STOCKHOLM was supported by a firmer bond market and the Affärsvärlden index put on 22.4 to 1,499.9. Pharmacia B added SKr5 to SKr118. **OSLO** fell 1.2 per cent in response to the weak dollar and the all-share index dipped 7.57 to 626.56 in in thin turnover of NKr265m.

COPENHAGEN fell 1.1 per cent with trading dominated by profit-taking in the newly-privatised Tele Danmark. The KFX index fell 1.21 to 108.65 in heavy turnover of DKr1.3bn.

Tele Danmark, gave up DKr5 to DKrDKr329, compared with the privatisation price of DKr310.

TEL AVIV held its ground after a 3.9 per cent increase on Sunday, the Mishtanim index easing a mere 0.32 to 228.77. Sunday's rise of 8.6 points reflected optimism over Israeli peace prospects with the PLO and Syria.

ISTANBUL fell another 6 per cent after a drop of 18.3 per cent last week, the composite index closing 903.83 lower at 14,192.85. The focus of investors' fears moved away from last Friday's suspension of eight brokerage houses, and into uncertainties about the general direction of money markets.

The Eurotrack 100 index was unavailable owing to the closure of the London Stock Exchange.

Written and edited by William Cochrane and Michael Morgan

ASIA PACIFIC

Region mixed as Nikkei falls 0.8% in low turnover

Tokyo

Shares lost some ground in thin conditions as investors held back from trading ahead of the three-day holiday, which begins today. The sharp rise in the yen provided a further disincentive, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 index fell 155.04, or 0.8 per cent, to 19,570.21 after a high of 19,648.53 and a low of 19,488.90. Arbitrage trading depressed prices, but late overseas demand eroded some of the earlier losses. Volume totaled 130m shares against 217m.

Some analysts said that the rise in the yen, which reached an eight-month high against the dollar, had already been discounted into stock prices following the inauguration of Mr Tsutomu Hata's minority government. Investors, however, said that the rise had increased the risk of committing funds to the stock market.

"With the price to earnings ratio at 100 and the yen at these levels, people have started to realise that their initial forecasts for the market were a little optimistic," said an official at Nippon Life, the largest life assurer. He said the Nikkei index could fall to as low as 18,000 in the near term.

The recent volatility of the yen was seen as a threat to the earnings recovery expected during the second half of the year. Some traders feared that overseas investors, who had bought Japanese stocks during the first quarter, might start to take profits as the yen's appreciation pushed up the value of their portfolios.

The Topix index of all first section stocks fell 9.85 to 1,593.48 while the Nikkei 300 lost 1.85 to 291.25. Losers led gainers by 736 to 223, with 157 issues remaining unchanged.

High-technology stocks lost ground on profit-taking. Hitachi fell Y9 to Y951 and Fujitsu lost Y20 to Y1,000. Large-capital stocks were also sold, with Nippon Steel down Y3 to Y344 and Mitsubishi Heavy losing Y1 to Y674.

Arbitrage selling depressed some banking stocks. Industrial Bank of Japan fell Y10 to Y3,150 and Dai-ichi Kangyo Bank declined Y20 to Y1,880.

Speculative shares were picked up by individual investors looking for quick profits. Brother Industries, the most active issue of the day, rose Y27 to Y665.

In Osaka, the OSE average fell 125.94 to 21,892.55 in volume of 32.3m shares.

Roundup

The region offered a study in contrasts, with its biggest equity markets depressed in thin trade but Manila and Seoul in upbeat mood. Singapore, Kuala Lumpur, Bangkok and Colombo were closed for holidays.

HONG KONG dropped 1.9 per cent in thin trade amid uncertainty over interest rates, the Hang Seng index closing 166.37 lower at 8,799.70 after futures-led selling emerged in the afternoon.

Turnover fell from HK$3.11bn to HK$2.38bn, property shares continuing to slide on newspaper reports of a softening in the real estate market, the sector index falling 393.03, or 2.55 per cent to 15,012.47.

SHK Properties tumbled HK$1.50 to HK$45.00, and Cheung Kong HK$1.00 to HK$35.50.

AUSTRALIA saw turnover hit a seven-month low as the All Ordinaries index fell 18.2 to 2,047.9. Volume was 128.2m shares valued at A$253.9m.

Southcorp shares were suspended after tumbling 17 cents to A$3.14, pending an announcement. The company later announced the resignation of its managing director, Mr Ross Wilson.

A sharp fall by Samantha Gold dragged the golds index down by nearly 2 per cent, Samantha losing 80 cents, or 14.3 per cent, to A$4.80 following news that reserves at its Chalice prospect have been downgraded.

NEW ZEALAND fell mostly on a 7 cent decline in Telecom as local and international support for leading issues failed to materialise. The NZSE-40 index fell 14.06 to 2,096.15 although the broader market fared better, the small companies index gaining 11.37 to 4,672.45.

KARACHI fell in dull trade with dealers reluctant to enter the market amid widespread disturbances in the city. The KSE 100 slipped 25.01 to 2,377.31.

BOMBAY recovered slightly towards the close on buying by Indian mutual funds. The BSE 30-share index ended 0.72 higher at 3,746.19. Turnover stayed low, depressed by the mid-March ban on forward trading imposed by the Securities and Exchange Board of India.

MANILA rose on expectations of strong first quarter Philippine economic growth. The composite index closed 41.22 higher at 2,885.44, also boosted by a 5 peso rise to 176 pesos in San Miguel A shares on speculation that the company would convert its Hong Kong brewery into a high-class residential development. Turnover, however, fell from 987.6m pesos to 697.8m.

SEOUL did big business on institutional buying of medium-priced blue chips, the composite stock index closing 10.54 higher at 919.26. Turnover was Won1,001bn, representing the highest volume of trading since March 17.

TAIWAN's weighted index rose 40.13 to 5,777.48 in thin trade. Interest was seen in selected industrials, late buying in financials.

COMMODITIES PRICES

BASE METALS

HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open int	Vol
May	93.00	+1.65	93.50	91.30	8,936	8
Jun	92.95	+1.60	93.50	92.35	888	177
Jul	93.05	+1.56	93.70	91.60	36,738	562
Aug	92.80	+1.45	92.80	92.90	427	19
Sep	92.60	+1.35	93.30	91.50	6,887	8
Oct	92.35	+1.20	0	0	201	10
Total					63,433	1,160

PRECIOUS METALS

GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
May	376.2	-0.4	-	-	5	10
Jun	377.4	-0.4	378.6	375.7	92,151	23,525
Jul	378.7	-0.4	-	-	-	-
Aug	380.1	-0.4	381.4	378.5	12,362	1,728
Oct	383.0	-0.4	384.1	382.0	5,183	115
Dec	386.1	-0.4	387.0	384.5	14,168	517
Total					160,387	28,460

PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Jul	405.8	+3.5	407.0	403.0	17,872	4,151
Oct	407.8	+3.5	408.0	406.0	2,246	219
Jan	408.9	+3.5	409.5	409.5	839	26
Apr	410.3	+3.5	411.0	408.0	973	12
Total					21,939	4,408

PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Jun	142.15	+3.85	142.50	139.00	3,457	661
Sep	142.15	+4.60	141.50	139.00	801	35
Dec	142.15	+4.75	140.50	139.00	324	53
Mar	141.65	+4.35	-	-	6	5
Total					4,688	754

SILVER COMEX (100 Troy oz.; $/troy oz.)

May	529.8	-4.0	537.0	529.5	16,395	4,724
Jun	531.7	-4.0	-	-	5	1
Jul	534.3	-4.0	540.5	532.5	84,694	23,983
Sep	538.8	-4.0	544.5	538.0	7,982	634
Dec	545.9	-4.0	552.0	544.0	11,448	293
Jan	547.9	-4.0	-	-	32	-
Total					135,312	29,696

ENERGY

CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jun	17.20	+0.30	17.31	16.88	129,267	61,812
Jul	16.99	+0.28	17.09	16.70	85,631	28,285
Aug	16.91	+0.27	16.98	16.65	33,382	6,543
Sep	16.88	+0.26	16.96	16.63	22,871	2,367
Oct	16.89	+0.28	16.90	16.65	17,138	2,586
Nov	16.85	+0.24	16.90	16.78	12,059	1,096
Total					416,363	110,739

HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Jun	47.70	+0.61	48.10	47.10	48,090	19,760
Jul	48.05	+0.56	48.40	47.55	33,810	5,995
Aug	48.75	+0.61	49.00	48.55	13,310	1,080
Sep	49.75	+0.61	50.00	49.40	10,632	768
Oct	50.75	+0.66	50.80	50.40	7,102	590
Nov	51.80	+0.66	51.80	51.40	5,095	289
Total					148,382	50,943

NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Jun	2.070	+0.003	2.080	2.030	15,798	11,698
Jul	2.100	-0.011	2.115	2.095	12,399	2,482
Aug	2.120	-0.010	2.130	2.115	10,210	1,541
Sep	2.140	-0.013	2.150	2.140	10,635	624
Oct	2.180	-0.013	2.187	2.185	6,935	481
Nov	2.265	-0.005	2.265	2.262	9,530	241
Total					108,758	19,124

UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Jun	50.65	+0.66	50.85	49.95	52,358	27,350
Jul	50.85	+0.59	51.00	50.25	21,581	5,815
Aug	50.70	+0.54	50.86	50.30	11,134	1,887
Sep	50.20	+0.59	50.25	50.05	7,865	541
Oct	48.70	+0.70	48.65	48.30	1,419	195
Nov	47.50	+0.35	47.50	47.50	2,103	50
Total					100,928	58,635

GRAINS AND OIL SEEDS

WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
May	332/0	+5/4	333/0	327/4	7,450	6,560
Jul	334/6	+4/0	335/0	330/6	145,385	73,455
Sep	337/0	+2/6	338/4	334/2	31,445	6,515
Dec	347/2	+2/4	348/2	344/0	31,025	5,680
Mar	349/4	+2/4	350/4	347/4	1,995	140
May	345/4	+2/4	-	-	120	-
Total					217,765	92,410

MAIZE CBT (5,000 bu min; cents/56lb bushel)

May	269/2	+0/2	270/4	268/0	94,865	98,605
Jul	271/6	-0/2	273/2	270/4	673,155	181,260
Sep	264/6	-1/4	267/0	263/2	159,540	22,300
Dec	255/4	-2/6	257/4	254/2	363,680	63,570
Mar	262/2	-2/2	263/6	260/6	33,596	930
May	268/4	-2/4	267/6	265/0	3,825	90
Total					95,745	33,475

SOYABEANS CBT (5,000bu min; cents/60lb bushel)

May	669/6	-7/4	676/2	667/0	63,445	33,175
Jul	669/6	-6/6	675/6	666/6	305,380	133,485
Aug	665/4	-5/2	670/4	662/4	55,180	5,800
Sep	644/4	-4/4	648/6	642/2	31,390	5,065
Nov	627/6	-3/2	630/4	625/0	206,945	42,380
Jan	633/2	-3/2	635/6	631/0	14,765	1,075
Total					694,786	222,395

SOYABEAN OIL CBT (60,000lbs; cents/lb)

May	28.70	-0.24	28.93	28.49	8,410	4,244
Jul	28.63	-0.27	28.85	28.41	38,603	15,100
Aug	28.28	-0.23	28.47	28.03	11,567	1,148
Sep	27.70	-0.15	27.83	27.45	11,474	312
Oct	26.80	+0.02	26.85	26.50	8,193	142
Dec	25.98	-0.04	26.03	25.72	15,440	1,249
Total					97,183	22,263

SOYABEAN MEAL CBT (100 tons; $/ton)

May	188.6	-1.7	190.3	187.8	7,496	5,634
Jul	189.4	-1.6	191.1	188.9	38,762	9,428
Aug	188.9	-1.4	190.4	188.4	11,735	936
Sep	187.3	-1.2	188.7	186.8	7,691	344
Oct	185.2	-1.1	186.0	184.5	5,072	319
Dec	183.9	-1.2	185.1	183.3	14,234	2,292
Total					87,859	19,072

SOFTS

COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
May	1137	+17	1142	1120	523	7
Jul	1145	+17	1155	1136	38,826	4,200
Sep	1170	+15	1177	1161	13,938	1,430
Dec	1209	+15	1216	1203	8,887	257
Mar	1243	+16	1248	1237	10,677	411
May	1273	+16	0	0	4,903	540
Total					81,391	6,955

COCOA (ICCO) (SDR's/tonne)

April 29	Price	Prev. day
Daily	868.47	868.78

COFFEE 'C' CSCE (37,500lbs; cents/lbs)

May	89.80	+0.65	89.95	88.80	1,318	358
Jul	89.85	+0.35	90.20	88.80	34,524	9,960
Sep	90.10	+0.75	90.70	89.50	11,225	2,059
Dec	90.90	+0.45	91.25	90.25	5,677	475
Mar	91.55	+0.55	91.75	91.00	2,392	112
May	92.50	+0.90	92.50	91.50	354	17
Total					55,524	12,981

COFFEE (ICO) (US cents/pound)

April 28	Price	Prev. day
Comp. daily	84.54	-
15 day average	81.54	-

SUGAR '11' CSCE (112,000lbs; cents/lbs)

Jul	11.53	-0.14	11.67	11.46	481	3,247
Oct	11.36	-0.13	11.45	11.32	50,440	10,796
Mar	11.16	-0.05	11.19	11.10	32,007	3,910
May	11.16	-0.05	11.18	11.14	16,127	991
Jul	11.14	-0.05	11.15	11.15	2,377	11
Oct	11.12	-0.05	0	0	1,200	-
Total					103,915	18,955

COTTON NYCE (50,000lbs; cents/lbs)

May	84.86	-1.15	86.40	84.40	1,936	393
Jul	83.17	-0.05	83.80	82.72	26,667	9,467
Oct	75.45	-0.18	75.95	75.30	4,623	842
Dec	73.06	+0.02	73.35	72.75	17,205	3,201
Mar	74.00	+0.25	74.05	73.65	1,321	113
May	74.10	-0.25	74.35	73.80	606	55
Total					52,458	14,081

Softs continued

ORANGE JUICE NYCE (15,000lbs; cents/lbs)

May	105.80	+1.90	106.40	103.50	1,398	1,411
Jul	108.45	+1.95	108.50	105.60	13,084	2,370
Sep	110.00	+1.80	110.50	108.05	2,357	323
Nov	110.25	+2.20	110.50	108.00	1,123	134
Jan	111.25	+1.25	111.25	109.50	2,285	284
Mar	114.50	+2.00	114.50	111.60	641	26
Total					20,888	4,588

MEAT AND LIVESTOCK

LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	70.400	-0.900	71.475	70.300	32,047	6,455
Aug	69.200	-0.425	69.900	68.950	13,051	2,123
Oct	71.450	-0.200	71.900	71.225	12,013	1,329
Dec	72.000	-0.200	72.500	71.800	6,951	497
Feb	72.000	+0.050	72.600	71.925	2,447	119
Apr	73.200	-0.100	73.600	73.050	979	17
Total					67,528	10,478

LIVE HOGS CME (40,000lbs; cents/lbs)

Jun	50.475	-0.750	51.100	50.350	18,561	1,858
Jul	50.200	-0.400	50.575	50.075	5,933	772
Aug	48.325	-0.475	48.900	48.200	3,488	323
Oct	43.775	-0.225	44.150	43.700	2,507	403
Dec	44.000	-0.100	44.250	43.700	2,775	62
Feb	43.950	-0.050	44.350	43.900	485	30
Total					32,138	3,446

PORK BELLIES CME (40,000lbs; cents/lbs)

May	47.850	-1.125	48.500	47.700	880	869
Jul	48.600	-1.500	50.750	48.400	1,753	6,146
Aug	46.850	-1.500	48.750	46.650	439	1,592
Feb	51.250	-0.225	52.250	51.225	88	234
Mar	50.700	-	51.600	50.700	1	19
May	52.800	+0.200	52.800	0	3	15
Total					8,985	3,164

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

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● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on 071-873 4378.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

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OTHER UK UNIT TRUSTS

INSURANCES

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MANAGEMENT SERVICES

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

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	Bid Price	Offer Price	Yield Gross	City-Line
Lombard Odier - Contd.				
Class L (General High Yield)	Ecu11.71		-	49177
Class Y	SFr16.12		-	49183
Class Z	SFr16.61		-	49187
Class 27 (Non-Nth Am)	C$12.21		-	49185
Management International (Jersey) Ltd				
Anchor Gilt Edge (z)	[illegible]	10.01	7.99	45030
Minerals, Oils Res. Shrs. Fd. Inc.				
Nomo Apr 28	$16.76	17.13xd	2.34	45476
Northgate Unit Tst. Mngr. (Jersey) Ltd				
Pacific Fund Apr 28	$51.74	54.99	-	45567
Perpetual UT Mngrs (Jersey) Ltd				
The Portugal Fund Limited				
Lloyds Bank International (Jersey) Limited				
NAV Apr 22		58.67	-	47465
Royal Bank of Canada Intl Fd Mgt Ltd				
Sterling Fxd Int 60†	97.20	98.20	7.09	45739
International Bond †	61.119	1.178	5.10	45740
†Prices on April 27 Next dealing May 4				
Royal Bk. of Scotland Fd Mngrs (Jersey) Ltd				
Ivory Growth Fund	$12.55	12.84	1.57	45838
For Royal Trust see Royal Bank of Canada				
Schroder Mngt Services (Jersey) Ltd				
Greece Fd Ltd Apr 27	$21.06	22.68	-	49690
Schroder Money Funds Ltd				
Sterling	£38.9588		3.92	45763
US $	$49.9958		2.40	45764
D-Mark	DM90.5597		4.84	45765
Swiss Franc	SFr61.2535		2.73	45766
Yen	Y5276.48		1.18	45767
Scrimgeour Kemp-Gee Mngmt., Jersey				
SKG Capital Fund	[illegible]	[illegible]	-	45791
SKG Income Fund	[illegible]	[illegible]	6.80	45792

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Eigistan Global SICAV (u)						
13 Rue Goethe, L-1637, Luxembourg 010 352 4046461						
Equity Portfolio	$		1.978	2.166	-	[illegible]
Reserve Portfolio	$		2.014	2.117	-	[illegible]
EquiFund-Wright National Eqty Fd (u) (z)						
14 rue Aldringen, L-1118 Lux 010 352 47952584						
Fidelity Funds (u)						
Kansallis Hse, Place de L'Etoile, L-1021 Lux BP 2174						
UK-0732 777377 Lux-010 352 250404						
Prices as at April 29						
Fleming Group (u)						
45 Rue Des Scillas L-2529 Howald Luxembourg						
010 352 40254 0r 071-382 8015						

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

May 2		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.6237	+0.0061	141 - 333	17.6733	17.6141	17.6199	0.3	17.6143	0.2	-	-	113.9
Belgium	(BFr)	51.6359	-0.0851	968 - 749	51.9139	51.5968	51.6609	-0.6	51.7059	-0.5	51.6459	0.0	114.9
Denmark	(DKr)	9.8111	-0.0467	052 - 170	9.8578	9.8052	9.8212	-1.2	9.8345	-1.0	9.8443	-0.3	115.0
Finland	(FM)	8.0933	-0.0485	823 - 043	8.2460	8.0823	-	-	-	-	-	-	81.9
France	(FFr)	8.5803	-0.0323	752 - 854	8.6116	8.5725	8.5858	-0.8	8.5931	-0.6	8.5843	0.0	107.5
Germany	(DM)	2.5057	-0.0069	042 - 071	2.5198	2.5035	2.5063	-0.3	2.5065	-0.1	2.4923	0.5	123.0
Greece	(Dr)	367.250	-1.287	749 - 750	372.832	367.629	-	-	-	-	-	-	-
Ireland	(I£)	1.0258	-0.0034	244 - 272	1.0283	1.0244	1.0266	-0.9	1.028	-0.9	1.031	-0.5	103.7
Italy	(L)	2410.62	+0.38	907 - 217	2412.17	2404.36	2416.47	-2.9	2426.92	-2.7	2461.97	-2.1	78.2
Luxembourg	(LFr)	51.6359	-0.0851	968 - 749	51.9139	51.5968	51.6609	-0.6	51.7059	-0.5	51.6459	0.0	114.9
Netherlands	(Fl)	2.8114	-0.0083	097 - 130	2.8581	2.8097	2.8118	-0.1	2.812	-0.1	2.7976	0.5	118.6
Norway	(NKr)	10.8590	-0.0414	539 - 640	10.9455	10.8539	10.8533	0.6	10.8659	-0.3	10.857	0.0	84.7
Portugal	(Es)	257.614	-1.219	301 - 926	258.316	219.793	258.589	-4.5	260.534	-4.5	-	-	-
Spain	(Pta)	204.725	+0.024	581 - 868	205.319	203.685	205.265	-3.2	206.11	-2.7	208.96	-2.1	85.5
Sweden	(SKr)	11.5545	-0.0444	450 - 640	11.6383	11.5324	11.5755	-2.2	11.6115	-2.0	11.7305	-1.6	77.3
Switzerland	(SFr)	2.1295	-0.0047	282 - 307	2.1348	2.1275	2.1273	1.2	2.1228	1.3	2.0935	1.7	117.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.3
Ecu	-	1.2973	-0.0046	963 - 983	1.3301	1.2963	1.2982	-0.9	1.2995	-0.7	1.2884	-0.1	-
SDR†	-	0.941623	+0.0606	623 - 623	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5160	+0.0004	154 - 166	1.5168	1.5103	-	-	-	-	-	-	-
Brazil	(Cr)	2009.75	+34.92	906 - 043	2011.00	1971.00	-	-	-	-	-	-	-
Canada	(C$)	2.0984	+0.0037	973 - 994	2.0995	2.0898	2.0995	-0.6	2.1026	-0.8	2.119	-1.0	86.6
Mexico	(New Peso)	4.9579	-0.0004	487 - 671	4.9671	4.9485	-	-	-	-	-	-	-
USA	($)	1.5185	+0.0022	180 - 190	1.5195	1.5133	1.517	1.2	1.5151	0.9	1.5112	0.5	64.8
Pacific/Middle East/Africa													
Australia	(A$)	2.1329	+0.0076	314 - 343	2.1343	2.1138	2.1314	0.8	2.129	0.7	2.1271	0.3	-
Hong Kong	(HK$)	11.7304	+0.0177	258 - 350	11.7374	11.6910	11.7174	1.3	11.712	0.6	11.6629	0.6	-
India	(Rs)	47.6373	+0.0746	159 - 586	47.6630	47.4800	-	-	-	-	-	-	-
Japan	(Y)	154.546	+0.864	457 - 634	155.270	153.290	154.171	2.9	153.396	3.0	149.766	3.1	190.0
Malaysia	(M$)	4.0656	+0.0094	635 - 677	4.0677	4.0534	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6302	+0.0002	277 - 326	2.6326	2.6227	2.6331	-1.3	2.6374	-1.1	2.646	-0.6	-
Philippines	(Peso)	41.8120	+0.0606	704 - 535	42.0536	40.6657	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6948	+0.0084	927 - 969	5.6983	5.6756	-	-	-	-	-	-	-
Singapore	(S$)	2.3599	+0.002	584 - 614	2.3619	2.3532	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.3485	+0.0103	456 - 514	5.3515	5.3132	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.0003	-0.0125	828 - 178	7.0178	6.8648	-	-	-	-	-	-	-
South Korea	(Won)	1225.81	+1.09	518 - 644	1226.44	1221.84	-	-	-	-	-	-	-
Taiwan	(T$)	40.1036	+0.0581	904 - 168	40.1300	39.9700	-	-	-	-	-	-	-
Thailand	(Bt)	38.2359	+0.0564	081 - 636	38.2636	38.1200	-	-	-	-	-	-	-

†SDR rate for Apr 29. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

May 2		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	11.6060	-0.0115	035 - 085	11.6810	11.6035	11.6222	-1.7	11.6385	-1.1	11.616	-0.1	102.8
Belgium	(BFr)	34.0045	-0.1055	900 - 190	34.0850	34.0190	34.0545	-1.8	34.1295	-1.5	34.1845	-0.5	104.2
Denmark	(DKr)	6.4611	-0.0401	593 - 628	6.5025	6.4593	6.4746	-2.5	6.4949	-2.1	6.5141	-0.8	103.3
Finland	(FM)	5.3298	-0.0397	243 - 353	5.3650	5.3313	5.335	-1.2	5.3433	-1.0	5.3573	-0.5	76.5
France	(FFr)	5.6505	-0.0295	490 - 520	5.6770	5.6535	5.66	-2.0	5.6721	-1.5	5.6757	-0.4	104.0
Germany	(D)	1.6501	-0.0068	497 - 505	1.6580	1.6495	1.6521	-1.5	1.6544	-1.0	1.6508	0.0	104.4
Greece	(Dr)	241.850	-1.2	600 - 100	243.400	241.600	245.6	-18.6	252.975	-18.4	281.85	-16.5	70.2
Ireland	(I£)	1.4803	+0.007	798 - 818	1.4818	1.4736	1.4774	2.4	1.4733	1.9	1.4633	1.1	-
Italy	(L)	1587.50	-2.05	700 - 800	1590.25	1585.75	1593	-4.2	1602	-3.7	1629.5	-2.6	78.8
Luxembourg	(LFr)	34.0045	-0.1055	900 - 190	34.0850	33.9900	34.0545	-1.8	34.1295	-1.5	34.1845	-0.5	104.2
Netherlands	(Fl)	1.8514	-0.0082	509 - 519	1.8603	1.8509	1.8535	-1.4	1.856	-1.0	1.8541	-0.1	103.7
Norway	(NKr)	7.1511	-0.0377	501 - 521	7.1816	7.1499	7.1598	-1.5	7.1723	-1.2	7.1831	-0.4	94.9
Portugal	(Es)	169.650	-1.05	500 - 800	170.280	169.600	170.95	-9.2	172.9	-7.7	178.15	-5.0	92.8
Spain	(Pta)	134.820	-0.18	770 - 870	135.250	134.500	135.315	-4.4	136.05	-3.6	138.305	-2.6	80.7
Sweden	(SKr)	7.6092	-0.0403	054 - 129	7.6564	7.6031	7.6327	-3.7	7.672	-3.3	7.7812	-2.3	82.8
Switzerland	(SFr)	1.4024	-0.0051	020 - 027	1.4095	1.4020	1.4202	-15.2	1.4012	0.3	1.3853	1.2	108.8
UK	(£)	1.5185	+0.0022	180 - 190	1.5195	1.5133	1.517	1.2	1.5151	0.9	1.5112	0.5	88.9
Ecu	-	1.1705	+0.0057	700 - 710	1.1710	1.1655	1.1696	2.0	1.1659	1.6	1.1639	0.6	-
SDR†	-	1.42138	+0.0063	138 - 138	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9994	-0.0002	998 - 994	0.9984	0.9983	-	-	-	-	-	-	-
Brazil	(Cr)	1323.51	+21.11	349 - 352	1323.59	1323.49	-	-	-	-	-	-	-
Canada	(C$)	1.3819	+0.0004	816 - 821	1.3821	1.3797	1.3841	-1.9	1.388	-1.8	1.4024	-1.5	83.2
Mexico	(New Peso)	3.2650	-0.005	600 - 700	3.2750	3.2500	3.268	-0.4	3.2678	-0.3	3.2752	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	99.5
Pacific/Middle East/Africa													
Australia	(A$)	1.4046	+0.003	041 - 051	1.4055	1.3935	1.4058	-1.1	1.4105	-1.7	1.4211	-1.2	86.4
Hong Kong	(HK$)	7.7250	+0.0005	245 - 255	7.7255	7.7245	7.728	-0.5	7.734	-0.5	7.7587	-0.4	-
India	(Rs)	31.3713	+0.0038	675 - 750	31.3775	31.3670	31.4363	-2.5	31.5713	-2.6	-	-	-
Japan	(Y)	101.775	+0.29	750 - 800	102.020	101.450	101.63	1.7	101.24	2.1	99.06	2.8	149.7
Malaysia	(M$)	2.6774	-0.0016	769 - 779	2.6790	2.6769	2.6704	3.1	2.6549	3.4	2.7174	-1.5	-
New Zealand	(NZ$)	1.7321	-0.0024	310 - 331	1.7334	1.7310	1.7334	-0.9	1.7379	-1.3	1.7596	-1.6	-
Philippines	(Peso)	27.5350	-	850 - 850	27.6850	27.3850	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7503	+0.0001	501 - 504	3.7504	3.7501	3.751	-0.2	3.7533	-0.3	3.7648	-0.4	-
Singapore	(S$)	1.5541	-0.0009	536 - 546	1.5546	1.5536	1.5535	0.5	1.553	0.3	1.5516	0.2	-
S Africa (Com.)	(R)	3.5223	+0.0018	215 - 230	3.5245	3.5050	3.5388	-5.6	3.5648	-4.8	3.6578	-3.8	-
S Africa (Fin.)	(R)	4.6100	-0.015	000 - 200	4.6150	4.5300	4.644	-8.9	4.704	-8.2	-	-	-
South Korea	(Won)	807.250	-0.45	100 - 400	808.200	807.100	810.25	-4.5	813.75	-3.2	832.25	-3.1	-
Taiwan	(T$)	26.4100	-	100 - 100	26.4100	26.4000	26.4755	-3.0	26.578	-2.5	-	-	-
Thailand	(Bt)	25.1800	-	700 - 900	25.1900	25.1700	25.26	-3.8	25.385	-3.3	25.905	-2.9	-

†SDR rate for Apr 29. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Apr 29. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

May 2		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.00	16.62	4.853	1.987	4669	5.443	21.03	496.8	396.6	22.37	4.123	1.936	4.063	2.942	299.2	2.512
Denmark	(DKr)	52.63	10	8.745	2.554	1.046	2457	2.865	11.07	262.8	208.7	11.77	2.170	1.019	2.138	1.548	157.5	1.322
France	(FFr)	60.19	11.43	10	2.921	1.196	2810	3.276	12.66	300.2	238.7	13.46	2.481	1.166	2.445	1.770	180.1	1.512
Germany	(DM)	20.61	3.915	3.424	1	0.409	962.1	1.122	4.334	102.8	81.72	4.609	0.850	0.399	0.837	0.606	61.65	0.518
Ireland	(I£)	50.33	9.562	8.363	2.442	1	2350	2.740	10.58	251.1	199.6	11.26	2.075	0.975	2.045	1.481	150.6	1.264
Italy	(L)	2.142	0.407	0.356	0.104	0.043	100.	0.117	0.450	10.68	8.494	0.479	0.088	0.041	0.087	0.063	6.408	0.054
Netherlands	(Fl)	18.37	3.490	3.052	0.891	0.365	857.7	1	3.863	91.64	72.86	4.109	0.757	0.356	0.746	0.540	54.96	0.461
Norway	(NKr)	47.55	9.034	7.901	2.308	0.945	2220	2.588	10	237.2	188.6	10.64	1.960	0.921	1.932	1.399	142.3	1.194
Portugal	(Es)	20.05	3.809	3.331	0.973	0.398	935.9	1.091	4.216	100.	79.50	4.484	0.826	0.388	0.814	0.590	59.98	0.503
Spain	(Pta)	25.21	4.791	4.189	1.224	0.501	1177	1.373	5.303	125.8	100.	5.640	1.040	0.488	1.024	0.742	75.44	0.633
Sweden	(SKr)	44.71	8.494	7.429	2.170	0.888	2087	2.434	9.403	223.0	177.3	10	1.843	0.886	1.816	1.315	133.8	1.123
Switzerland	(SFr)	24.26	4.606	4.030	1.177	0.482	1132	1.320	5.101	121.0	96.20	5.425	1	0.470	0.985	0.713	72.57	0.609
UK	(£)	51.64	9.811	8.580	2.506	1.026	2411	2.811	10.86	257.6	204.8	11.55	2.129	1	2.098	1.519	154.5	1.297
Canada	(C$)	24.61	4.676	4.090	1.194	0.489	1149	1.340	5.176	122.8	97.62	5.505	1.015	0.477	1	0.724	73.64	0.618
US	($)	34.00	6.459	5.648	1.650	0.675	1587	1.851	7.149	169.6	134.8	7.604	1.402	0.658	1.381	1	101.7	0.854
Japan	(Y)	334.2	63.50	55.53	16.22	6.641	15605	18.19	70.29	1667	1326	74.76	13.78	6.472	13.58	9.832	1000.	8.395
Ecu		39.81	7.564	6.615	1.932	0.791	1859	2.167	8.373	198.6	157.9	8.905	1.641	0.771	1.618	1.171	119.1	1

Yen per 1,000: Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10: Belgian Franc, Escudo, Lira and Peseta per 100.

D-MARK FUTURES (IMM) DM 125,000 per DM (May 2)

	Open	Latest	Change	High	Low	Est.vol	Open int.
Jun	0.6035	0.6060	+0.0019	0.6069	0.6025	66,898	109,521
Sep	0.6025	0.6051	+0.0016	0.6063	0.6024	1,405	3,770
Dec	0.6037	0.6065	+0.0024	0.6065	0.6035	5	149

SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr (May 2)

	Open	Latest	Change	High	Low	Est.vol	Open int.
Jun	0.7130	0.7141	+0.0003	0.71551	0.7096	26,498	41,068
Sep	0.7129	0.7155	+0.0001	0.7166	0.7125	285	606
Dec	-	0.7182	+0.0051	-	-	1	336

JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100 (May 2)

	Open	Latest	Change	High	Low	Est.vol	Open int.
Jun	0.9835	0.9842	-0.0028	0.9875	0.9825	31,959	61,921
Sep	0.9892	0.9903	-0.0030	0.9928	0.9892	777	3,419
Dec	0.9960	0.9975	-0.0033	0.9998	0.9960	106	775

STERLING FUTURES (IMM) £62,500 per £ (May 2)

	Open	Latest	Change	High	Low	Est.vol	Open int.
Jun	1.5154	1.5174	-0.0006	1.5190	1.5130	21,963	46,103
Sep	1.5120	1.5140	-0.0018	1.5170	1.5120	222	1,136
Dec	1.5140	1.5140	-0.0004	1.5150	1.5110	10	37

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound) (May 2)

Strike Price	CALLS May	CALLS Jun	CALLS Jul	PUTS May	PUTS Jun	PUTS Jul
1.425	9.37	9.26	9.29	-	-	0.18
1.450	6.93	6.92	7.14	-	0.09	0.45
1.475	4.48	4.71	5.15	-	0.36	0.94
1.500	2.28	2.82	3.47	0.25	0.97	1.74
1.525	0.72	1.46	2.21	1.18	2.07	2.85
1.550	0.12	0.65	1.30	3.02	3.68	4.42

Previous day's vol., Calls N/A Puts N/A . Prev. day's open int., Calls N/A Puts N/A

UK INTEREST RATES

LONDON MONEY RATES

Apr 29	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	$4\frac{1}{2}$ - 3	$4\frac{11}{16}$ - $4\frac{1}{2}$	$5\frac{1}{16}$ - $4\frac{7}{8}$	$5\frac{1}{4}$ - $5\frac{1}{8}$	$5\frac{7}{16}$ - $5\frac{5}{16}$	$5\frac{7}{8}$ - $5\frac{3}{4}$
Sterling CDs	-	-	$5\frac{1}{32}$ - $4\frac{31}{32}$	$5\frac{1}{8}$ - $5\frac{1}{16}$	$5\frac{3}{8}$ - $5\frac{5}{16}$	$5\frac{3}{4}$ - $5\frac{5}{8}$
Treasury Bills	-	-	$4\frac{7}{8}$ - $4\frac{13}{16}$	$4\frac{31}{32}$ - $4\frac{29}{32}$	-	-
Bank Bills	-	-	$4\frac{7}{8}$ - $4\frac{13}{16}$	$4\frac{31}{32}$ - $4\frac{29}{32}$	$5\frac{1}{8}$ - $5\frac{1}{16}$	-
Local authority deps.	$4\frac{13}{16}$ - $4\frac{11}{16}$	$4\frac{13}{16}$ - $4\frac{11}{16}$	$5\frac{1}{16}$ - 5	$5\frac{3}{16}$ - $5\frac{1}{16}$	$5\frac{3}{8}$ - $5\frac{1}{4}$	$5\frac{13}{16}$ - $5\frac{11}{16}$
Discount Market Deps	$4\frac{1}{2}$ - $3\frac{3}{4}$	$4\frac{3}{4}$ - $4\frac{5}{8}$	-	-	-	-

UK clearing bank base lending rate $5\frac{1}{4}$ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	$1\frac{1}{2}$	4	$3\frac{3}{4}$	$3\frac{3}{4}$	$3\frac{1}{2}$

Certs of Tax dep. under £100,000 is $1\frac{1}{2}$pc. Deposits withdrawn for cash $\frac{1}{4}$pc.
Ave. tender rate of discount 4.8485pc. ECGD fixed rate Stlg. Export Finance. Make up day April 29, 1994. Agreed rate for period May 26, 1994 to Jun 25, 1994, Schemes II & III 6.56pc. Reference rate for period Apr 1, 1994 to Apr 29, 1994, Schemes IV & V 5.266pc. Finance House Base Rate $5\frac{1}{2}$pc from May 1, 1994

BANK OF ENGLAND TREASURY BILL TENDER

	Apr 29	Apr 22		Apr 29	Apr 22
Bills on offer	£400m	£200m	Top accepted rate	4.8533%	4.8734%
Total of applications	£1624m	£922m	Ave. rate of discount	4.8485%	4.8673%
Total allocated	£400m	£200m	Average yield	4.9078%	4.9271%
Min. accepted bid	£98.790	£98.785	Offer at next tender	£400m	£400m
Allotment at min. level	57%	35%	Min. accept. bid 182 days	-	-

FIXED INTEREST RATES

MONEY RATES

April 29	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	$5\frac{5}{8}$	$5\frac{5}{8}$	$5\frac{3}{4}$	$5\frac{3}{4}$	$5\frac{7}{8}$	7.40	4.75	-
week ago	-	$5\frac{5}{8}$	$5\frac{5}{8}$	$5\frac{5}{8}$	$5\frac{5}{8}$	7.40	4.75	-
France	$5\frac{3}{4}$	$5\frac{3}{4}$	$5\frac{5}{8}$	$5\frac{3}{4}$	$5\frac{7}{8}$	5.70	-	7.75
week ago	6	$5\frac{3}{4}$	$5\frac{5}{8}$	$5\frac{5}{8}$	$5\frac{3}{4}$	5.80	-	7.75
Germany	5.88	5.45	5.38	5.32	5.26	6.50	5.00	5.47
week ago	5.28	5.45	5.40	5.30	5.25	6.50	5.00	5.70
Ireland	$5\frac{3}{4}$	$5\frac{7}{8}$	6	$6\frac{1}{8}$	$6\frac{1}{8}$	-	-	6.50
week ago	6	$5\frac{7}{8}$	$6\frac{1}{4}$	$6\frac{1}{8}$	$6\frac{1}{8}$	-	-	6.50
Italy	$8\frac{1}{4}$	8	8	8	$8\frac{1}{8}$	-	8.00	8.27
week ago	$8\frac{3}{4}$	8	$7\frac{7}{8}$	8	$8\frac{1}{8}$	-	8.00	8.27
Netherlands	5.46	5.33	5.29	5.28	5.27	-	5.25	-
week ago	5.40	5.33	5.28	5.27	5.25	-	5.25	-
Switzerland	$3\frac{7}{8}$	4	4	4	$4\frac{1}{8}$	6.625	3.50	-
week ago	4	4	$4\frac{1}{8}$	$4\frac{1}{8}$	$4\frac{1}{8}$	6.625	3.50	-
US	$3\frac{5}{8}$	$3\frac{5}{8}$	$4\frac{1}{4}$	$4\frac{3}{4}$	$5\frac{1}{4}$	-	3.00	-
week ago	$3\frac{5}{8}$	$3\frac{5}{8}$	$4\frac{1}{8}$	$4\frac{3}{8}$	$5\frac{1}{8}$	-	3.00	-
Japan	$2\frac{1}{8}$	$2\frac{1}{4}$	$2\frac{1}{4}$	$2\frac{3}{8}$	$2\frac{5}{8}$	-	1.75	-
week ago	$2\frac{1}{8}$	$2\frac{1}{4}$	$2\frac{1}{4}$	$2\frac{7}{16}$	$2\frac{5}{8}$	-	1.75	-
$ LIBOR FT London								
Interbank Fixing	-	4	$4\frac{3}{16}$	$4\frac{11}{16}$	$5\frac{3}{16}$	-	-	-
week ago	-	4	$4\frac{1}{4}$	$4\frac{5}{8}$	$5\frac{1}{4}$	-	-	-
US Dollar CDs	-	3.80	4.10	4.51	5.10	-	-	-
week ago	-	3.80	4.01	4.35	4.94	-	-	-
SDR Linked Ds	-	$3\frac{3}{4}$	$3\frac{3}{4}$	$3\frac{3}{4}$	4	-	-	-
week ago	-	$3\frac{3}{4}$	$3\frac{3}{4}$	$3\frac{3}{4}$	4	-	-	-

ECU Linked Ds mid rates: 1 mth: $5\frac{3}{4}$; 3 mths: $5\frac{3}{4}$; 6 mths: $5\frac{7}{8}$; 1 year: $5\frac{7}{8}$. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Apr 29	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	$5\frac{1}{4}$ - $5\frac{1}{8}$	$5\frac{1}{4}$ - $5\frac{1}{8}$	$5\frac{1}{4}$ - $5\frac{1}{8}$	$5\frac{1}{4}$ - $5\frac{1}{8}$	$5\frac{13}{16}$ - $5\frac{11}{16}$	$5\frac{13}{16}$ - $5\frac{11}{16}$
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100%

[illegible]

US TREASURY BILL FUTURES (IMM) $1m per 100%

[illegible]

All Open Interest figs. are for previous day

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on page 28 in today's edition.

Pound in New York

[illegible]

STOCK EXCHANGES

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — FRIDAY APRIL 29 1994 — THURSDAY APRIL 28 1994 — DOLLAR INDEX

[illegible]

STOCK INDICES

[illegible]

BANK RETURN

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

BASE LENDING RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

MONTHLY AVERAGES OF STOCK INDICES

[illegible]

Ecu

ECU BOND FUTURES (MATIF)

[illegible]

US INTEREST RATES

[illegible]

France

NOTIONAL FRENCH BOND FUTURES (MATIF)

[illegible]

LONG TERM FRENCH BOND OPTIONS (MATIF)

[illegible]

FT GOLD MINES INDEX

[illegible]

BANKS

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

ENGINEERING, VEHICLES - Cont.

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Inf		£25½	14.6	Q375c	1.9	Oct Apr	3'93	–
Barlow		25½	15.5	Q173c	1.7	Jan Jul	13.12	–
Gold Flds Prop R		91	5.8	Q50c	1.2	–	31.1	–
NK Props	s	90	3.4	Q44.7c	0.3	Feb Oct	19.10	–
SASOL	♥	359	11.8	Q78c	–	Oct	23.9	3919
SA Brews		£13⅛	12.6	Q138c	2.2	Dec Jun	13.12	–
Tiger Oats		744	12.2	Q82c	2.9	Jan Feb	29.11	–
Tongaat-Hulett	†	588	4.7	Q75c	2.4	Feb Aug	4.1	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/ or rights issue. H Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1994 L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94. N Figures based on EMR "Headline Earnings" P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Walahomes (Bldg & Constn), Edinburgh Incs, Gartmore British Inc, Zero Div & Units, Mercury Euro Priv Wrts, Piper Euro Smlr Ord & Wrts, Siam Selective Wrts, (Inv Trusts), Fiscal Props & Cnv Uns Ln (Prop). Deletions: Westland (Eng), Central ITV (Media).

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT8216. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availability.

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An international service is available for callers outside the UK, annual subscription £250 stg.
Call 071-873 4378 (+44 71 873 4378, international) for more information on FT Cityline.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close May 2

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17¾	14⅛	AAR x	0.48	3.0	525	124	15¾	15½	15⅝	+⅛
16⅞	13⅜	A L Labs A	0.18	1.2	34	142	14⅞	14	14⅞	+⅛
65½	57⅞	AMP	1.68	2.6	22	2820	65	63⅞	64¾	+⅞
72¾	52⅛	AMR			30	3014	60⅞	60	60⅛	-½
5	3⅜	ARX			15	155	4⅝	4⅜	4⅝	+⅛
56⅛	38⅝	ASA	2.00	4.7	28	491	42⅞	42¼	42⅝	+⅛
30⅝	25⅞	AbbtL	0.76	2.8	17	11335	28⅛	27⅞	28¾	+⅞
13¾	11⅞	AbtIbi Pr	0.50	4.2	10	67	12	11⅞	12	+⅛
13¾	11⅛	Acpincstn			23	280	12⅝	12¼	12½	
31	24½	ACE Ltd	0.40	1.4	4	188	28¾	28⅛	28⅝	+⅛
12½	10⅛	ACM Gvt In x	1.08	9.6		107	11⅛	11	11⅛	
10⅛	7⅞	ACM GvOpp x	0.80	9.6		150	8½	8¼	8¼	-⅛
10⅝	8⅞	ACM Gvt Sp x	0.96	11.1		224	8¾	8⅝	8⅝	-⅛
12	9⅞	ACM Gvt Se x	1.09	10.8		479	10⅛	10	10⅛	+⅛
11¾	8¾	ACM Mun x	1.08	10.9		81	9⅞	9¾	9⅞	+⅛
9¼	8	ACM Mangd x	0.72	8.6		123	8½	8⅜	8⅜	
15¼	8⅞	AcmeCtv x	0.44	3.0	17	1359	u15½	13⅝	14½	-⅛
8½	7⅛	Acme Elect			34	40	8	7⅞	8	
28¼	23	Acordia	0.60	2.1	14	34	28⅛	27¾	28	+¼
9⅞	5¾	Actava	0.36	4.0	3	469	9	8¾	9	+½
13¾	11¼	Acuson			98	280	12⅞	12⅞	12¾	-⅛
18⅞	16½	Adams Expr	0.48	2.8	0	171	17⅛	17	17	+⅛
64	46½	Ad Micro	3.00	5.4		384	56	54¾	56	+1
31¾	16¾	AdvMic	3.00	11.2	11	6378	27¼	26	26¾	+⅞
6⅞	5⅛	Advest Grp	0.16	3.1	8	174	5¼	d5⅛	5⅛	
20	16¾	Advo Inc	0.10	0.6	117	77	17¾	17½	17⅝	+¼
57¾	48⅞	Aegon ADR	1.22	2.3	11	23	53	52½	53	+⅝
65¾	49¾	AetnaL x	2.76	5.3	8	3575	52¼	51⅝	52⅛	+⅛
31⅞	25¾	Aflac	0.46	1.5	13	2766	31⅛	30¼	31	+⅞
20¼	16⅞	Ahmanson	0.88	4.8	12	2429	18¼	17⅞	18¼	
4	1⅝	Aileen Inc			1	101	2⅝	2½	2½	-⅛
48⅞	42⅞	AirPrC	0.92	2.1	23	3169	43½	42¾	43⅛	-⅛

Continued on next page

4 pm close May 2

NYSE COMPOSITE PRICES

1994 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		Continued from previous page								
18½	13⅝	StylO	0.36	2.4	8	245	15⅛	14¾	14⅞	-⅛
27	19¾	Safeway			24	1272	25⅛	24⅝	24⅝	-¼
6⅞	4⅞	SafewayW95				5	5¾	5¾	5¾	-⅛
57⅞	50¼	StJoePaper	0.20	0.4	284	13	56⅛	55¾	56	-⅜
30¼	28	StJoseL&P x	1.80	6.2	14	6	28⅞	28⅞	28⅞	-⅛
90	76⅝	StPaul	3.00	3.8	7	954	78⅛	77⅝	78	-1⅜
9⅝	6¾	Salant Crp			10	16	8¼	8¼	8¼	-⅛
49⅞	38¼	Sallie Mae	1.40	3.6	8	2238	39⅝	39	39⅝	+⅛
13⅞	11⅞	Salomon Br x	0.28	2.3		180	12⅝	12¼	12⅝	+⅜
52¾	44¾	Salomon	0.64	1.3	6	2512	48⅞	48¼	48⅝	+⅛
25	21½	SnDgGE	1.52	6.9	11	405	22½	21⅞	22⅛	-⅜
10	7½	SantaFeERs	0.18	1.8	9	168	8⅞	8¾	8¾	-⅛
40	34⅝	SantaFePac x	2.80	7.7	17	699	36⅞	36⅞	36½	
26¼	21	SanFeP	0.10	0.5	12	1921	22¼	22	22	-¼
26	20⅛	SaraLee	0.64	3.0	14	8298	21⅛	20⅞	21	+¼
50⅛	44½	Scana Corp	2.82	6.1	12	206	46½	45¾	46⅜	+½
20½	16⅜	Scecrp	1.42	9.1	10	6003	16	15⅝	15⅝	-⅜
40½	34¾	SchererRP			28	769	37¼	36⅛	37¼	+½
69⅝	54½	SchrPl x	2.04	3.2	15	10445	63⅝	60⅞	63½	+4⅛
61½	50¼	Schlmb	1.20	2.2	22	3788	55⅞	54⅝	54⅝	-⅜
33	25¼	Schwab(C) x	0.28	1.0	13	373	28½	28⅜	28⅜	
10¾	6⅛	Schwitzer			26	146	9¼	9⅛	9⅛	-⅛
36⅞	24⅞	SciAtl	0.12	0.4	67	3759	35	32¼	33⅞	+⅜
18⅞	13⅛	Scotsman	0.10	0.7	13	5	14⅛	14	14	
48¾	37¼	ScottP	0.80	1.9	11	1443	43½	42⅞	43⅛	+¼
28⅝	18⅝	ScudderNAsF	0.21	0.9		39	22⅝	22⅝	22⅝	-⅛
12⅝	9¾	ScudderNEuF	0.16	1.5		182	11	10⅞	10⅞	-⅛
18¼	16	SeaCnB x	0.70	4.2	8	8	16¾	16½	16½	+¼
18½	15⅛	SeaC1.4625	1.46	9.1		3	16⅛	16⅛	16⅛	-⅜
31	26¾	Seagrm	0.56	1.9	38	3690	30⅛	29⅝	30	+⅜
29¾	23	Seagull En			38	457	29¼	28⅝	29¼	+⅛
31⅝	26⅝	Sealed Air			22	318	29¼	28	29⅜	
55⅛	42⅛	SearsR	1.60	3.4	7	5281	47¼	46½	46⅞	-⅛

NASDAQ NATIONAL MARKET

4 pm close May 2

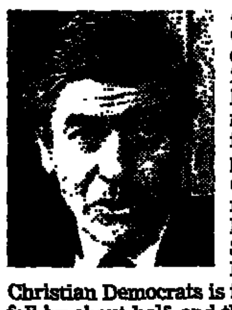
AMEX COMPOSITE PRICES

4 pm close May 2

FT GUIDE TO THE WEEK

3 TUESDAY

Dutch general election



A closely-contested general election in the Netherlands sees the retirement from national politics of veteran prime minister Ruud Lubbers (left). Support for Mr Lubbers' Christian Democrats is forecast to fall by about half, and the party may be forced into opposition.

The Labour Party, junior partners in the current coalition, also faces a severe electoral decline. Increased support for smaller parties will probably result in a three-party coalition.

Bond hearing: The long-postponed public examination of Alan Bond, the failed Australian businessman, by his bankruptcy trustee begins. Two weeks ago, lawyers for the former tycoon withdrew a request for an adjournment until Mr Bond's mental state improved. They had previously argued he was severely depressed and his IQ had plummeted from 150 to 90 because of brain damage suffered during cardiac surgery.

Contaminated land: Responses to the UK government's consultation paper on contaminated land, Paying for our Past, are due in today. The paper, which follows the government's scrapping of proposals for a register of contaminated land, calls for comments on the size of the problem and to determine who should foot the bill of cleaning land.

Saleroom: Two weeks of big money spending in the art market start tonight in New York with a Christie's auction of contemporary art. "Number 22", a painting by Jackson Pollock, created in 1949 by the dripping and pouring technique rather than the paint brush, is estimated at up to $3m, while Mark Rothko's atmospheric blur "Four Reds" should make $1.8m.

FT Survey: Romania.

Japan's Golden Week:

Japan is on its annual 10-day spring break, which ends on May 7. This year, an estimated 66.7m people are heading off on holiday, a record 450,000 of them abroad, attracted by the strength of the yen, which has made Haiwaii cheaper, for Japanese holidaymakers, than Hokkaido.

Holidays: Japan (Constitution Day), Sri Lanka, Thailand.

4 WEDNESDAY

Mid-East signing ceremony

Israel and the Palestine Liberation Organisation are due to sign an agreement granting limited Palestinian autonomy in the Gaza Strip and Jericho. A ceremony is to be held in Cairo in the presence of President Hosni Mubarak of Egypt, Warren Christopher, US secretary of State, Yitzhak Rabin, Israel's prime minister, and Yassir Arafat, chairman of the PLO.

The European Parliament, holding its last plenary session before the European elections, votes on the accession treaties of Norway, Sweden, Finland and Austria. It must approve the treaties by today to make entry on January 1 1995 possible. With many MEPs campaigning or not standing for re-election, worries are that not enough will show up to produce the 260 votes needed to gain an absolute majority out of the 518 seats.

Australian White Paper:

Paul Keating, Australia's prime minister (left), unveils the federal government's white paper on industry and employment. It will detail measures to address Australia's vexatious unemployment, along with regional development policy and help for Australian companies selling into Asian markets. The white paper's release comes a week before the federal budget statement, and Mr Keating's announcement is likely to pre-empt big expenditure items.

South Korea's defence minister, Rhee Byoung-tae, arrives in Germany following a six-day visit to Russia, where he discussed the possible purchase of advanced weapons as payment for an outstanding $1.5bn loan that Seoul gave the former Soviet Union in 1991. He will be discussing possible arms purchases in Germany as well.

Nigeria's long-heralded and oft-postponed "war against indiscipline and corruption" is scheduled to begin.

Saleroom: The highlight of Sotheby's auction of contemporary art in New York tonight is "Highway" by Jasper Johns. Inspired by the artist's experience of driving on a New York highway at night, this blur of reds, blues and yellows is estimated at a hefty $3m, showing a return of confidence to this section of the art market.

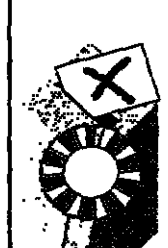
Football: In the European Cup Winners' Cup Final, England's Arsenal play Italy's Parma in Copenhagen.

FT Surveys: Restructuring Eastern Germany and Greater Philadelphia.

Holidays: Japan, Russia (Orthodox Easter).

5 THURSDAY

Local elections in Britain



England, Wales and Scotland vote in local elections that will determine whether the Conservative party remains a force in local government and - no less importantly - whether John Major is likely to face a leadership challenge from disaffected Tory MPs later this year. Elections are being held for metropolitan and shire councils, but attention will focus on the results in outer London, where the Tories have traditionally been dominant.

Palestinian police force: The ending of more than a quarter-century of Israeli occupation begins, as Palestinians in the Gaza Strip and West Bank town of Jericho see the deployment of their own police force. An advance guard of 1,000 Palestinian police will cross into Gaza and Jericho to begin to take over security from the departing Israeli army. Israel is expected to complete its military withdrawal and the transfer of civilian administration to the PLO within a maximum of three weeks.

Tsutomu Hata, Japan's prime minister, on a trip to Western Europe originally organised for his predecessor, visits Germany. He meets Chancellor Kohl, Klaus Kinkel, the foreign minister, and Johannes Rau, prime minister of North Rhine-Westphalia, where the city of Düsseldorf is home to the largest concentration of Japanese in Germany.

Beirut renewal: Shareholders of Solidere, the $1.8bn company that plans to rebuild central Beirut, hold their second meeting to incorporate the company.

The Badminton Horse Trials, England's premier equestrian event begin at Badminton House, Avon (to May 8).

Savoury tooth: The British Association for Toothfriendly Sweets launches its campaign in London.

FT Surveys: International Corporate Finance and FT Exporter.

Holidays: Japan, South Korea (Children's Day), Mexico, Thailand (Coronation Day).

6 FRIDAY

Channel Tunnel 'opening'

Today sees the official inauguration of the Channel Tunnel. However, more than a year behind schedule and more than twice the original budget, it will not actually open to passengers until at least the autumn.

In the morning, the Queen opens the Waterloo International rail terminal in London (below), while in Paris President François Mitterrand opens a terminal at Gard du Nord.

Both will then take Eurostar trains to Calais for an opening ceremony. The Queen and President Mitterrand will then drive, in her Rolls Royce, on to a vehicle shuttle and head through the 55km tunnel to Folkestone for more ceremony on the British side.

South Africa's president is due to be elected by the National Assembly. The president, almost certain to be Nelson Mandela, will be sworn in on May 10 in Pretoria.

Ethnic Armenian separatists in the disputed Nagorno-Karabakh enclave in Azerbaijan have accepted Russian proposals for a cease-fire starting today.

Hong Kong: Lu Ping, Beijing's top official on Hong Kong affairs, is expected to lift the veil on China's policy towards the colony, when he addresses a lunch sponsored by the combined chambers of commerce in Hong Kong.

Making his first visit since Chris Patten became governor, Mr Lu is expected to indicate how Beijing will deal with Britain on "non-political" matters arising from the transfer of sovereignty in 1997. Bilateral co-operation on political development collapsed last year. Since then, there have been signs that Beijing is prepared to discuss economic matters.

East Timor: Indonesia and Portuguese foreign ministers meet for United Nations-sponsored talks on the former Portuguese colony, annexed by Indonesia in 1975, a move not recognised by the UN. The UN secretary-general Boutros Boutros-Ghali is expected to attend.

Theo Waigel, Germany's finance minister holds a meeting with his Austrian and Swiss counterparts in Munich. Among the items on the agenda will doubtless be how to plan co-operation with Austria in and Switzerland outside the European Union.

FT Surveys: Madeira and The Channel Tunnel.

The UK local elections on Thursday will be a test for Prime Minister John Major's leadership

7 SATURDAY

Hata returns to Japan

Tsutomu Hata, Japan's prime minister, returns to problems at home after a trip to Europe. The aim was to strengthen relations before the Naples summit of the Group of Seven leading industrial nations in July.

Last week, the Socialists, the biggest party in the ruling alliance, dropped out of the coalition, depriving it of a parliamentary majority. Hata's minority government is likely to be shortlived.

Vietnam celebrates the 40th anniversary of the battle of Dien Bien Phu, which ended nearly a century of French colonial rule.

Time warp: British and French vintage cars, taking part in a rally from London to Paris to mark the Channel tunnel inauguration, will travel through it by shuttle.

Under fours: A special handicap mile at the Iffley Road track in Oxford is part of the celebrations of Roger Bannister's breaking of the four-minute barrier there in 1954.

The Kentucky Derby is run at the Churchill Downs course, Louisville.

8 SUNDAY

Panamanian elections

Five years after the US invasion, the presidential candidate for the party of General Manuel Noriega is going into the election as favourite. Ernesto Pérez Balladares of the Democratic Revolutionary Party (PRD) leads the polls.

His nearest challenger is the lawyer-actor-salsa singer, Rubén Blades, who heads a new green-leaning political movement Papa Egoró (Mother Earth in a local indian language).

Costa Rican presidency: José Maria Figueres, the son of "Pepe" Figueres, the popular former president who dominated Costa Rican politics for two decades, assumes the presidency. Mr Figueres has pledged to place a greater emphasis on social issues than the outgoing government.

Hungary holds the first round of parliamentary elections. The second round is due to be held on May 29.

Sumo-time: The 15-day Grand Summer Sumo Tournament starts in Tokyo.

Compiled by Patrick Stiles.
Fax: (+44) (0)71 873 3194.

ECONOMIC DIARY

Other economic news

Tuesday: Figures for M0, the narrowest measure of the UK money supply, are expected to show growth of 5.9 per cent in the 12 months to April. This is still well above the government's 0-4 per cent monitoring range and would provide further evidence that consumer demand remains buoyant despite the tax rises.

The Treasury's panel of independent forecasters, the so-called "wise men", meet to discuss the prospects for the UK economy. Their findings will be published on May 17.

German industrial production data for March are expected some time this week. Analysts forecast a monthly rise of 0.5 per cent, compared with February's 1.2 per cent.

Wednesday: The UK's official reserves are expected to show no change in April, after falling by $45m in March. The Treasury will release its monthly monetary report, to coincide with the meeting between the chancellor and the governor of the Bank of England.

Thursday: German unemployment statistics for April are expected to show a seasonally adjusted rise of 23,000 in the west and an unadjusted fall of 20,000 in the east.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Tues	US	Mar leading indicators	0.6%	-0.1%
May 3	US	Johnson Redbook, w/e April 30	-	-0.2%
	UK	Apr M0 money supply*	-	0.3%
	UK	Apr M0 money supply**	-	5.6%
Wed	US	Tan book	-	-
May 4	US	Mar factory orders	0.5%	-1.0%
	US	Mar factory inventories	-	0.3%
	US	Apr domestic auto sales	7.5m	7.6m
	US	Apr domestic light truck sales	5.8m	5.9m
	UK	Apr official reserves	Unch	-$45m
	Canada	Mar building permits*	3.0%	1.8%
Thurs	US	Initial claims, w/e April 30	336,000	333,000
May 5	US	Q1 productivity	-	6.1%
	US	Mar home completions	-	1.34m
	US	M1 w/e Apr 25	-	-
	US	M2 w/e Apr 25	-	-
	US	M3 w/e Apr 25	-	-
	Germany	Apr unemployment rate, west, s.a.	+23,000	+20,000
	Germany	Mar employment rate, west, s.a.	-20,000	-25,000
	Germany	Apr vacancies, west	+5,000	+2,000
	Germany	Apr short-time, west, n.s.a.	-40,000	-52,000
	Germany	Apr unemployment, east, n.s.a.	-20,000	-40,000
	France	OAT auction	FFr19bn	-
	Canada	Apr help wanted index	94	92
Friday	US	Apr non-farm payrolls	+175,000	+456,000
May 6	US	Apr manufacturing payrolls	+15,000	+12,000
	US	Apr hourly earnings	0.2%	0.1%
	US	Apr average workweek	-	34.7
	US	Apr civilian unemployment rate	6.5%	6.5%
	US	Mar wholesale trade	-	0.8%
	US	Mar consumer credit	$4.8bn	-
	France	Q4 industrial production	0.5%	0.4%
	Canada	Apr employment rate*	0.2%	0.4%
	Canada	Apr unemployment rate	10.8%	10.6%
During this week...				
	Japan	Mar current account	$19.7bn	$11.9bn
	Japan	Mar trade balance	-	$12.9bn
	Japan	Apr trade balance - first 20 days	-	$7.2bn
	Japan	Mar foreign bond investment	-	-
	Germany	Mar industrial production*	0.5%	1.2%
	Germany	Mar manufacturing output*	0.4%	2.4%
	Germany	Mar import prices*	0.0%	0.1%
	Germany	Mar import prices**	-0.3%	-0.4%
	Germany	Mar manufacturing orders*	0.4%	3.1%
	Italy	Apr CPI**	4.1%	4.2%
	Spain	Apr official reserves	$46m	$44.86m
	Belgium	Apr unemployment rate	13.5%	13.5%
	Switz	Apr unemployment rate	5.0%	5.0%

*month on month, **year on year

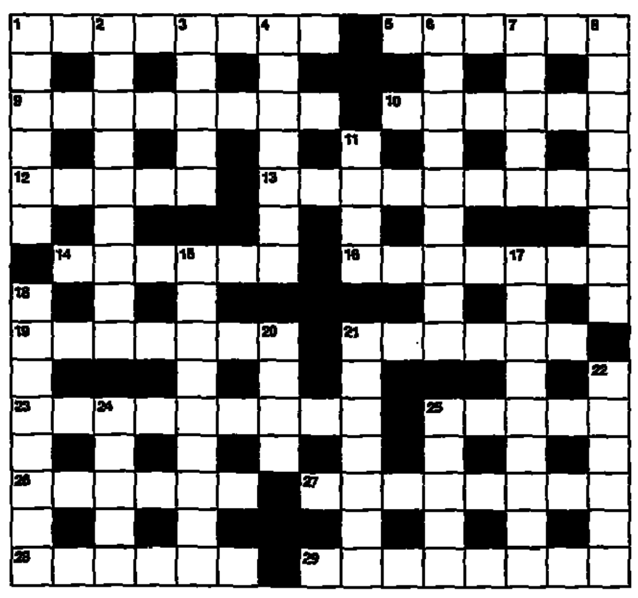
Statistics, courtesy MMS International.

ACROSS

1 Object after sound meal causes baby pain (8)
5 If not American Len's turned in (6)
9 Stage students admitted becoming traffic controllers (8)
10 Caught despicable chap with ruler making hole (6)
12 Raced companion to US farm (5)
13 Fancied a GI in army manoeuvres (9)
14 Existing vicar's salary (6)
16 Contempt for home after dad is thrown out (7)
19 Said some bird swallowed a bone (7)
21 Using some more sultanas for effect (6)
23 Fair trial arranged after I destroyed map (9)
25 Wrote about tall building (5)
26 Firm takes me in before revealing wages (6)
27 Frank removed sign for vacancies (8)
28 Decorate pole without glaring (6)
29 Improvement to rally on last day (8)

DOWN

1 Volunteers returned sombre tunic (6)
2 Say six-footer in queue is Rose! (9)
3 Erica got warm going to hospital (5)
4 Falling asleep will be off after this (7)
6 New cars in S. America plant (9)
7 In complex transactions you'll find it added (5)
8 Wandering on street always in a band (8)
11 Firm taking nothing from stock (4)
15 Mugs Ian or another fool (9)
17 On every ring we can arrange discount (9)
18 Hoping for a painkiller go round without (8)
20 Am back in power (4)
21 Fall back as top runners pass by (7)
22 Elegant frock mother's left May (6)
24 About to cover up speed controller (5)
25 Brown and green light for dancing to (5)



PRIZE CROSSWORD
No.8,443 Set by GRIFFIN

A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday May 12, marked Prize Crossword 8,443 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday May 16.

Name.................................

Address.................................

....

Winners 8,431

N. Freake, London E4
Ms I. Boylan, Dublin
S. Gillott, Horbury, Yorkshire
H.S. Hatfield, Mouans Sartoux, France
D. Oram, Brookmans Park, Herts
D.F. Walker, London E10

Solution 8,431